

Annual Report 2008

Deriving Strength from Stability



Meezan Bank
The Premier Islamic Bank

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ

Foreword

By the grace of Almighty Allah, 2008 marks yet another year of achievements for Meezan Bank. Our outstanding performance has continued, with 2008 seeing the establishment of our 166th branch (including 35 sub-branches) across Pakistan. It is fitting that this year's annual report is a tribute to nature—where, like Meezan Bank, change is omni-present. In both cases, the change is derived from development and growth and those who derive their strength from the basic elements of nature succeed in the long-run.

In nature, the passing of seasons brings changes of colors, hues and scents; admiration of and adaptability to this change enables one to gain the most out of the treasures nature has to offer.

At Meezan Bank, the passing seasons have seen us grow and develop from being the first Islamic Bank in Pakistan to being the largest. However, as we continue to grow, our ideals and beliefs remain the same: the purity that we see in nature forms the basis of our core banking values and we remain committed to ensuring pure Islamic Banking as we continue our journey towards the realization of our Vision and Mission.

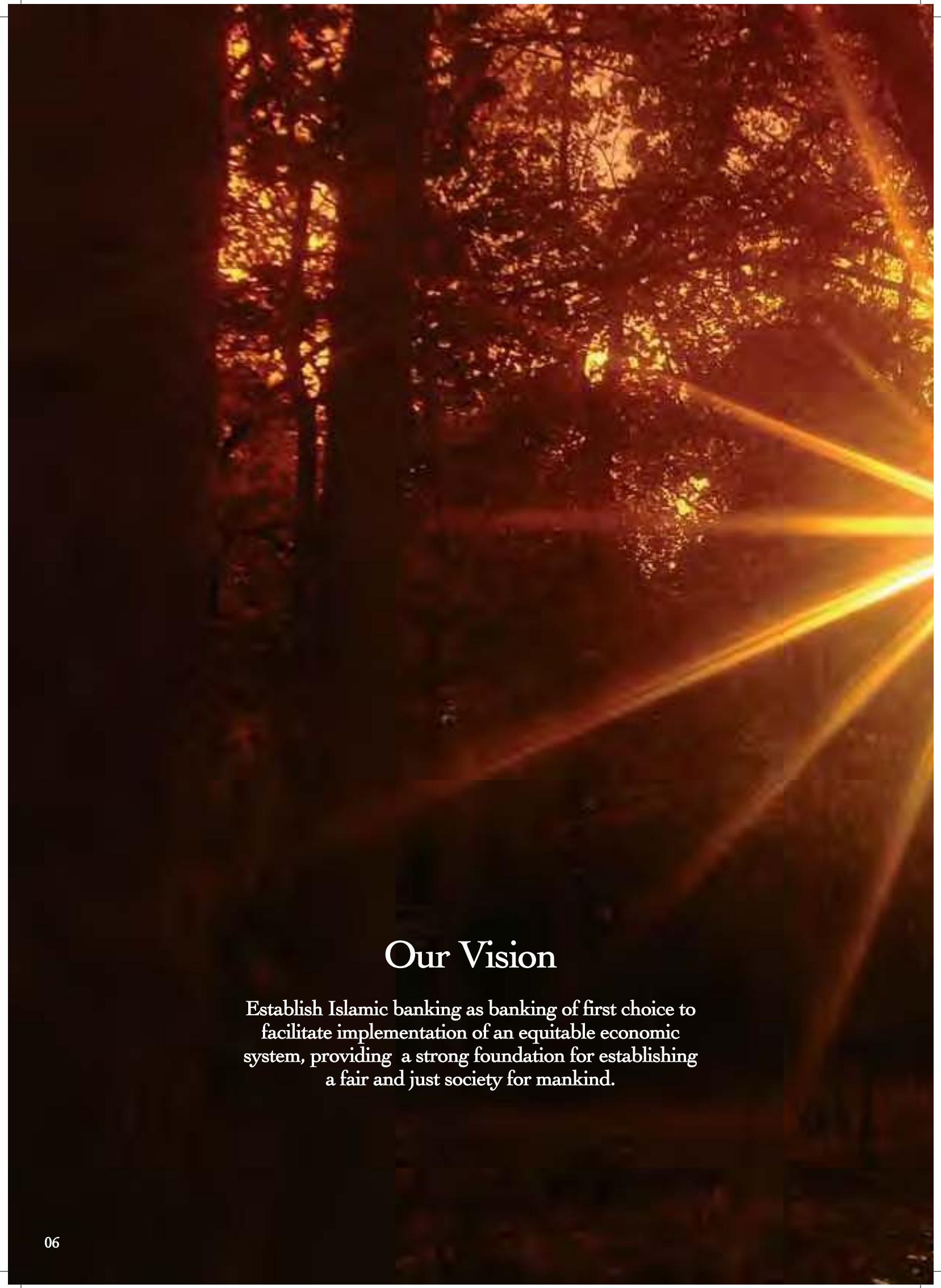
As you peruse our annual report, join us in our tribute to nature - a celebration of strength that comes from absolute purity.

Deriving Strength from Stability

Finding Purity in Nature

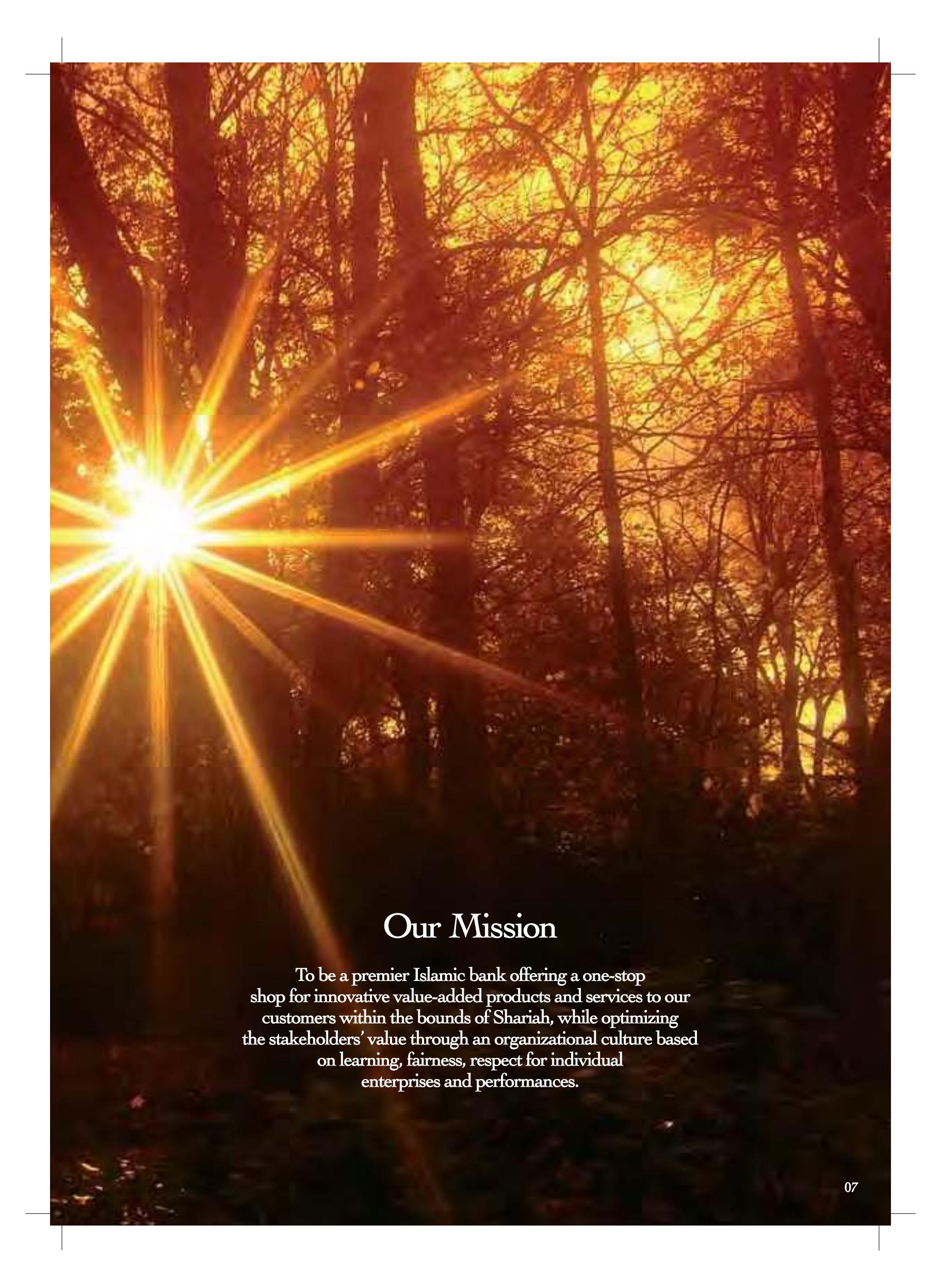
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Our Vision

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



Our Mission

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



Key Corporate Values

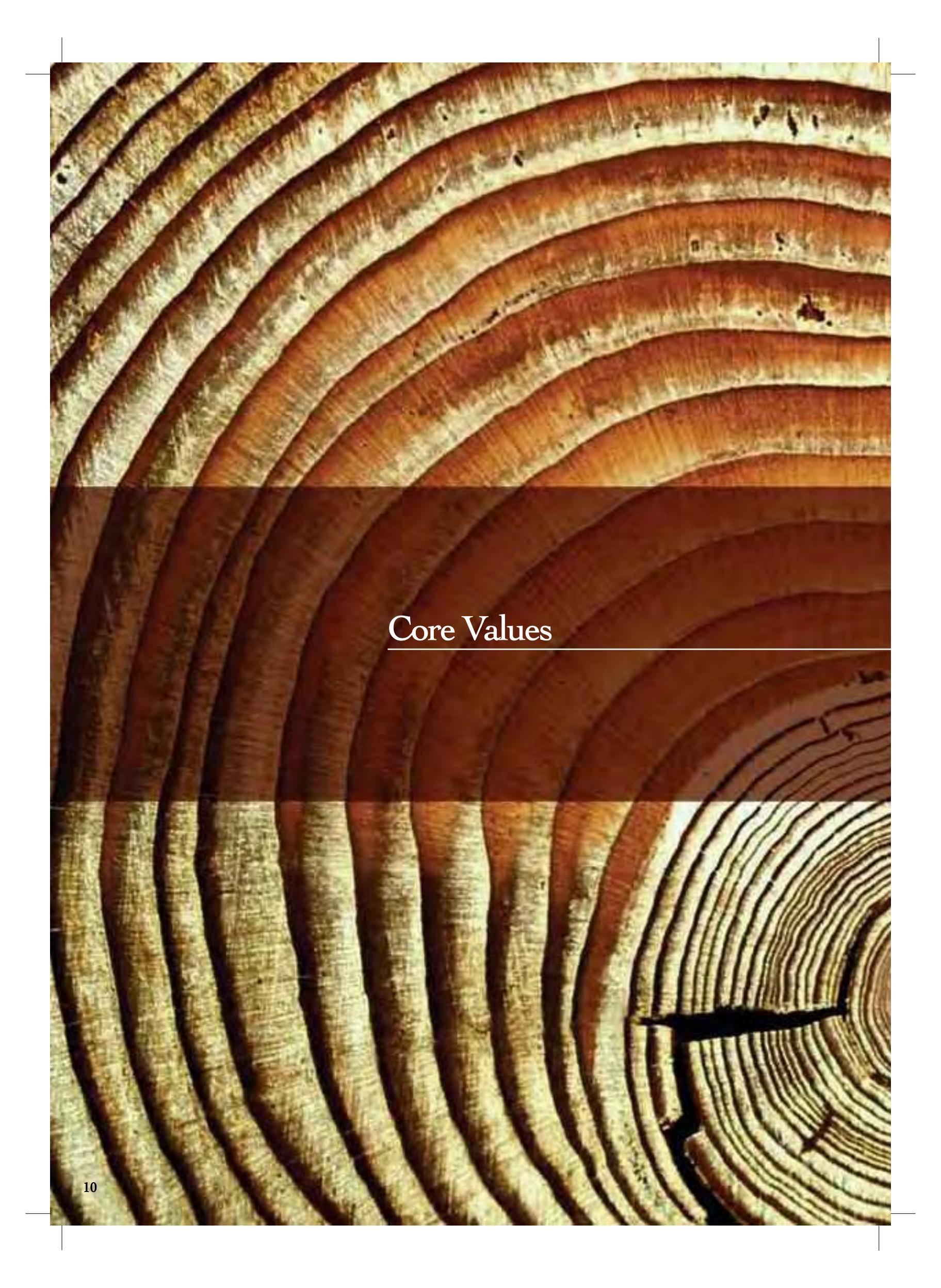
Core Values - Shariah Compliance, Integrity, Professionalism, Service Excellence, Social Responsibility

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

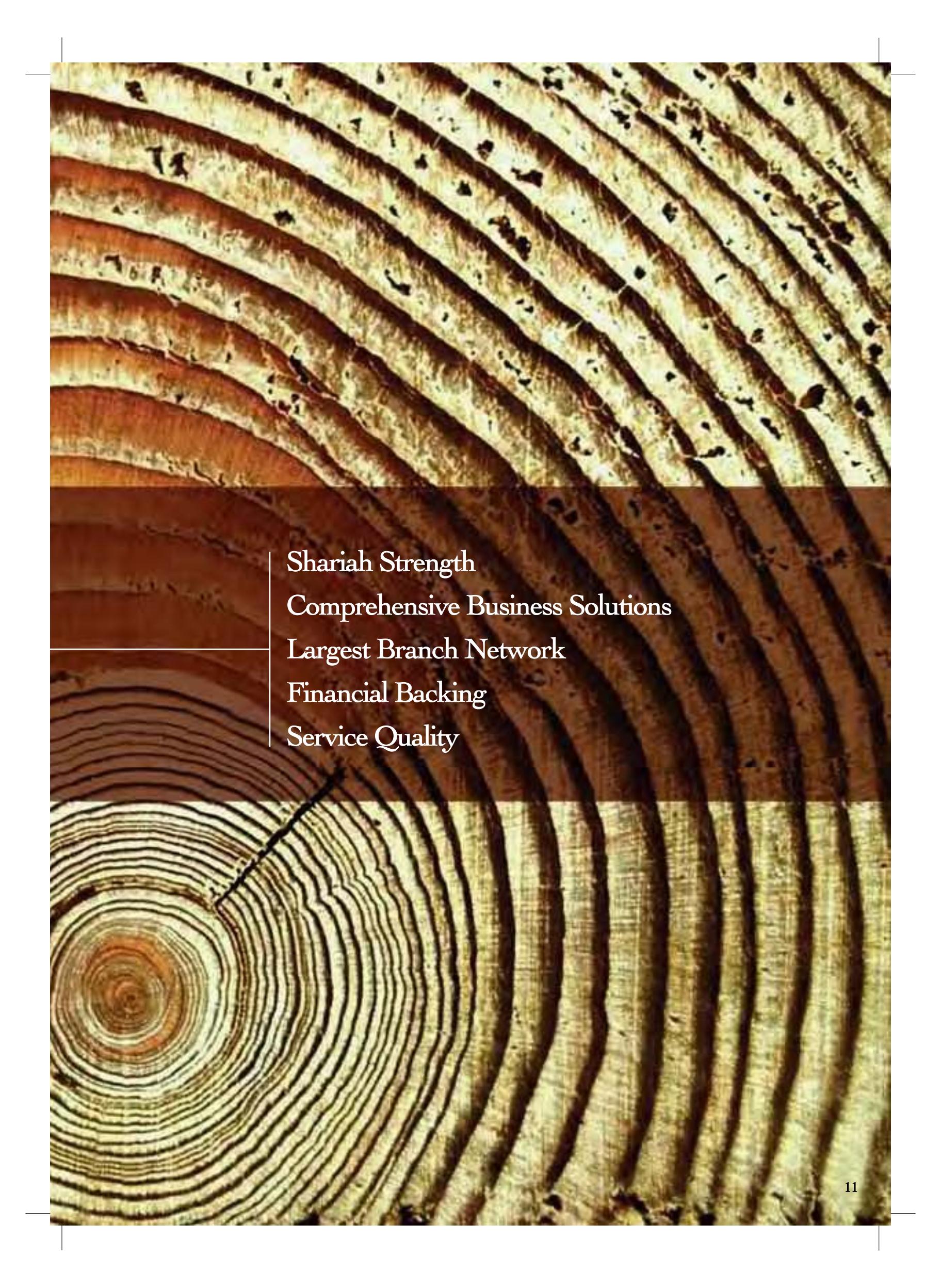


Staff - Committed, motivated and professionally trained employees who are empathetic to their customer's needs.

Relationships - Are long term with Meezan Bank. We recognize and value our customers' needs and strive to ensure their fulfillment. All customers are treated professionally 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.



Core Values



Shariah Strength
Comprehensive Business Solutions
Largest Branch Network
Financial Backing
Service Quality

Shariah Strength

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

The members of the Shariah Board are:

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

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

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

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

Muhammed Imran Usmani, son of Justice (Retd.) Mufti Muhammad Taqi Usmani, holds LLB, M.Phil, and PhD in Islamic Finance and graduated as a scholar (Alimiyyah Degree) and Takhassus (Specialization) in Islamic Fiqah and Fatwa from Jamia Darul-Uloom, Karachi. Since the inception of Meezan Bank he is the in-house Shariah Advisor and Head of Product Development and Shariah Compliance Department of Meezan Bank, where he supervises in-house training for the different Courses, Audit and Compliance, R&D and advisory for Shariah based banking. Dr. Usmani has been serving as lecturer/teacher of different subjects of Shariah and as an administrator of some divisions of Jamia Darul-Uloom, Karachi since 1990 and is a visiting Faculty member of MBA/PhD students of Karachi University and IBA. He has also been leading Friday Khutbah and prayer at a Jamia Mosque for 19 years.

Dr. Usmani serves as an advisor/member of Shariah Boards of the State Bank of Pakistan, HSBC Amanah Finance, Guidance Financial Group USA, Lloyds TSB Bank UK, Japan Bank for International Cooperation (JABIC), Credit Suisse Switzerland, RBS Global, Future Growth Albarakah Equity Fund South Africa, AIG Takaful, ACR Retakaful Malaysia, Capitas Group USA, Bank of London and Middle East Kuwait, BMI Bank Bahrain, Al Khaliji Bank Qatar, Sarasin Bank Switzerland, DCD Group Dubai, other Mutual and Property funds and International Sukuk. He is also an advisor of International Islamic Financial Market (IIFM) Bahrain and International Centre for Education in Islamic Finance (INCEIF) Malaysia. Dr. Usmani is also an author of many books related to Islamic Finance and other subjects of Shariah. He has been presenting papers in many national and international seminars and has also delivered lectures in various academic institutions namely Harvard, LSE, IBA, LUMS etc.

Comprehensive Business Solutions

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

Some of the products and services are:

Corporate and Commercial Banking

Murabaha	Import & Export Facilities
Musharakah	Guarantees
Diminishing Musharakah	Islamic Export Refinance
Ijarah	Bai Salam
Mudarabah	Usance Bill Murabaha
Istijrar	Import Financing
Istisna	
Tijarah	

Investment Banking and Shariah Advisory Services

Syndications and Sukuk Structuring	Mergers & Acquisitions
Project Financing	Conventional Bank Conversion Advisory Service
Private Equity and Financial Advisory	Islamic Banking Training

Retail Banking

Rupee Saving Account	Certificate of Islamic Investment
Current Account	Monthly Mudarabah Certificate
Dollar Saving Account	Dollar Mudarabah Certificate
Karobari Munafa Account	Meezan Aamdan Certificate
Meezan Islamic Institution Deposit Account	Meezan Providence Certificate
Meezan Bachat Account	Meezan Business Plus

Consumer Financing

Car Ijarah – Islamic Auto Finance	Easy Home – Islamic Housing Finance
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24/7 Banking

ATM/Debit Card	Internet Banking
ATM Outlets	Call Center
SMS Alerts	

Special Banking

Ladies Banking	8am to 8pm Banking
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Meezan Bank continues to educate the market by offering various business value propositions in a transparent and open manner; in addition to addressing commonly asked questions about Islamic Banking and how it differs from the conventional system.

Largest Branch Network

Alhamdolillah, Meezan Bank has established 166 branches (including 35 sub-branches) in 40 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
Nawabshah
Quetta
Sakrand
Sukkur
Tando Adam
Tando-Allah-Yar

Central Region

Bahawalpur
Daska
Dera Ghazi Khan
Faisalabad
Gojra
Gujranwala
Jhang
Kasur
Lahore
Mandi Bahauddin
Mian Channu
Multan
Okara
Rahim Yar Khan
Sadiqabad
Sahiwal
Sargodha
Sheikhupura
Sialkot

Northern Region

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

For 2009 Meezan Bank has planned to open an additional 34 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.

Financial Backing

Shareholding Structure	%	Rs. in millions
Noor Financial Investment Co, Kuwait	46	2,242
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	30	1,478
Islamic Development Bank, Jeddah	9	459
Others	15	747
Paid up Capital	100	4,926

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.





Service Quality

Meezan Bank's service mission is:

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

The defining values that Islam itself inculcates are in essence at the source of what service quality means. The values of our faith such as honesty, transparency, respect, justice, and loyalty are pillars forming the infrastructure of our corporate philosophy; thus creating a truly Islamic institution,

The Bank has dedicated a team operating in the Service Quality (SQ) Department to promote and implement its service mission at various levels. An SQ structure has been implemented throughout the Bank with dedicated staff assigned at every branch, monitoring both the operational function as well as the physical environment of each branch. Internal Service Measures (ISMs) and Service level Agreements (SLAs) have been put into place, through which the performance of various functions is evaluated.

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

Special attention is given to training the staff involved in the SQ initiative through monthly 'Service Huddles' to discuss various service issues. Mystery Shopping is carried out nationwide to analyze employee performance, transaction turn-around time and overall perception of the Meezan Bank experience.

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

Riba-free Banking Objectives

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

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

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

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

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

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

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

To maximize use of state-of-the-art technology to ensure cost-effective operations, efficient management information systems, enhanced delivery capability and high service quality.

To effectively manage Meezan Bank's portfolio of businesses to achieve strong and sustainable return to our depositors and shareholders.



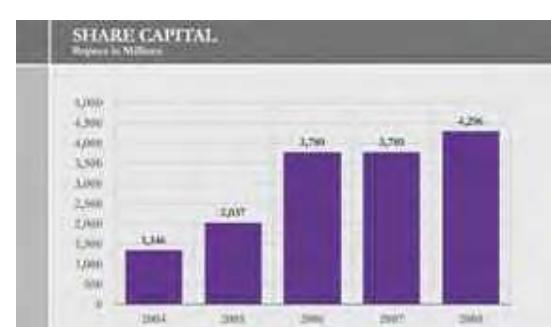
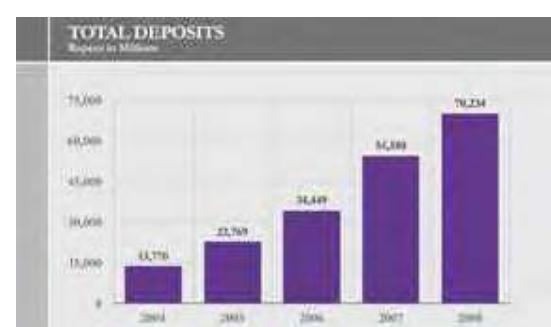
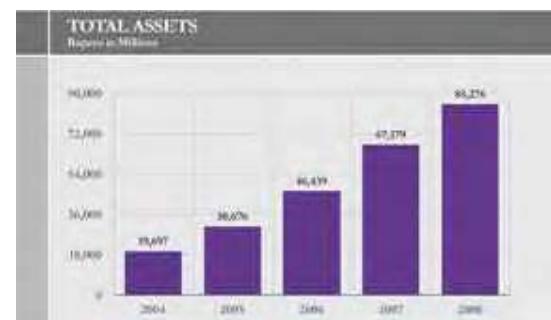
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Key Figures at a Glance

	2008	2007	2006
Profit and Loss Account			
Return on financings, investments and placements	6,803	4,574	2,704
Return on deposits and other dues expensed	3,088	2,452	1,464
Net Spread earned before provisions	3,715	2,122	1,240
Fee, commission, forex and other income	802	742	441
Dividend income	244	104	165
Gross Core Banking Income	4,761	2,968	1,846
Administrative and Operating Expenses	2,713	1,765	1,028
Core Banking Income before provisions	2,048	1,203	818
Provision against non performing financings	(428)	(435)	(122)
Provision for diminution in investments and impairment	(289)	(1)	(1)
Capital gain / (loss) on investments	(339)	502	85
Profit before Taxation	992	1,269	780
Tax charge / (reversal)	371	306	176
Profit after Taxation	621	963	604
Balance Sheet			
Total Financing Portfolio	39,768	34,576	27,031
Total Assets	85,276	67,179	46,439
Total Deposits	70,234	54,582	34,449
Share Capital	4,926	3,780	3,780
Total Shareholders Equity	6,341	5,720	4,763
Market Capitalization	10,581	14,572	7,465
Number of staff	3,170	2,205	1,389
Number of branches	166	100	62
Ratio			
Break up Value (Rs.)	12.87	15.13	12.60
Market Value per Share (Rs.)	21.48	38.55	19.50
Cash dividend (%)	-	-	-
Stock dividend (%)	8.6	20.00	10.00
Right shares at par (%)	35	-	50.00
Price earning ratio	17.03	15.12	10.51
Earning per Share (Rs.)	1.26	1.96	1.88
Net Spread to gross return (%)	54.61	46.39	45.86
Net Profit before tax to total income (%)	13.21	21.43	22.98
Net Profit after tax to total income (%)	8.27	16.27	17.80
Expense to income (%)	77.24	71.21	73.40
Financing to deposit ratio-ADR (%)	51.62	56.90	65.68
Capital Adequacy ratio	10.03	10.71	12.80
Return on average assets (%)	0.82	1.70	1.57
Return on average equity (%)	10.30	18.39	15.64

Rupees in millions			
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	241	270
214	(3)	27	47
419	224	214	223
19,741	12,340	7,397	3,532
30,676	19,697	11,102	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



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 Azzaroog Rajab
Ahmed Abdul Rahim Mohamed
Nawal Ahmed
Alaa A. Al-Sarawi
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

Executive Committee

Naser Abdul Mohsen Al-Marri
Irfan Siddiqui

Audit Committee

Ahmed Abdul Rahim Mohamed
Rana Ahmed Humayun
Nawal Ahmed

Risk Management Committee

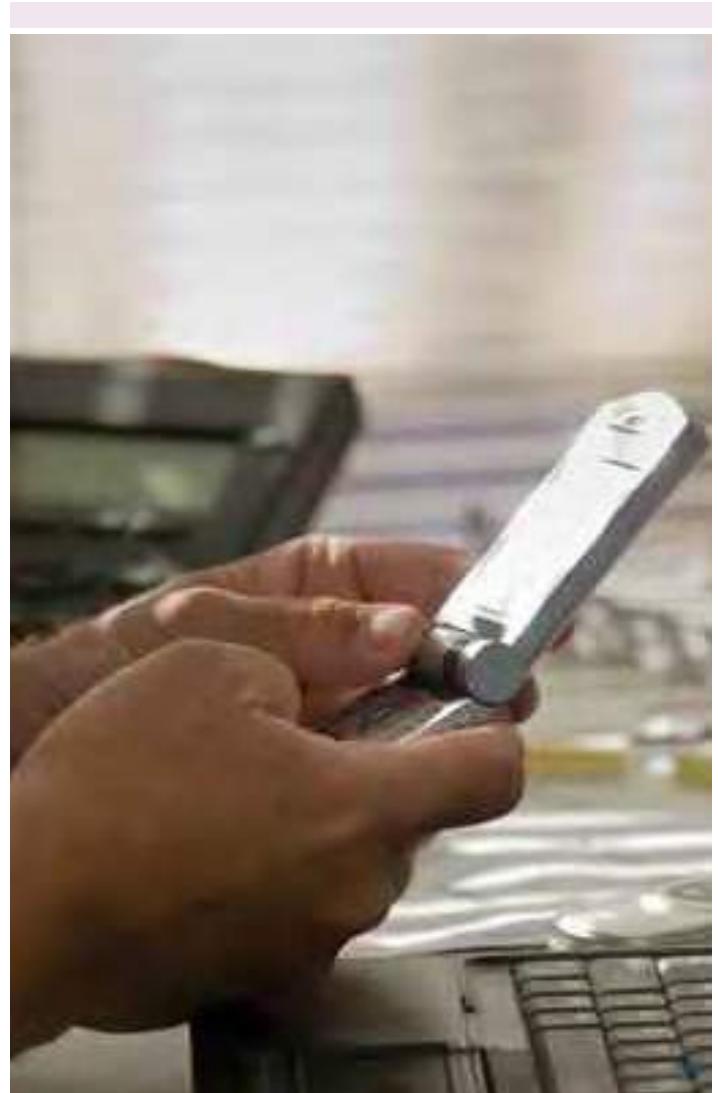
Rana Ahmed Humayun
Nawal Ahmed
Ariful Islam

Human Resources Committee

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

Company Secretary

Shabbir Hamza Khandwala



Management

Irfan Siddiqui	President & CEO
Ariful Islam	Chief Operating Officer
Mohammad Shoaib Qureshi	Commercial Banking
Shabbir Hamza Khandwala	Chief Financial Officer
Arshad Majeed	Operations
Azhar Naqvi	Risk Management
Rizwan Ata	Regional Manager - Central
Saleem Khan	Regional Manager - North
Abdul Ghaffar Memon	Regional Manager - South-I
Kazi Mohammad Aamir	Regional Manager - South-II
Zubair Haider	Corporate Banking
Sohail Khan	Marketing and Training
Irfan Ali Hyder	Human Resources
Munawar Rizvi	Branch Expansion & Administration
Faiz-ul-Rehman	Information Technology
Muhammad Abdullah Ahmed	Treasury & Financial Institutions
Saleem Wafai	Compliance
Zia-ul-Hasan	Internal Audit
Mohammad Raza	Consumer Banking
Ahmed Ali Siddiqui	Product Development & Shariah Compliance
Syed Amir Ali	Investment Banking
Omer Salimullah	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

Ph : (9221) 5610582, Fax: (9221) 5610375

24/7 Call Centre 111-331-331

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Website

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Shares Registrar

THK Associates (Pvt.) Ltd.

State Life Building -3, Dr. Ziauddin Ahmed Road

Karachi-75530, Pakistan. Ph: (9221) 111-000-322, Fax: (9221) 5655595

Meezan Team

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

The business segments of the Bank are:

Corporate Banking

Investment Banking

Commercial Banking (including Small and Medium Enterprises)

Consumer Banking

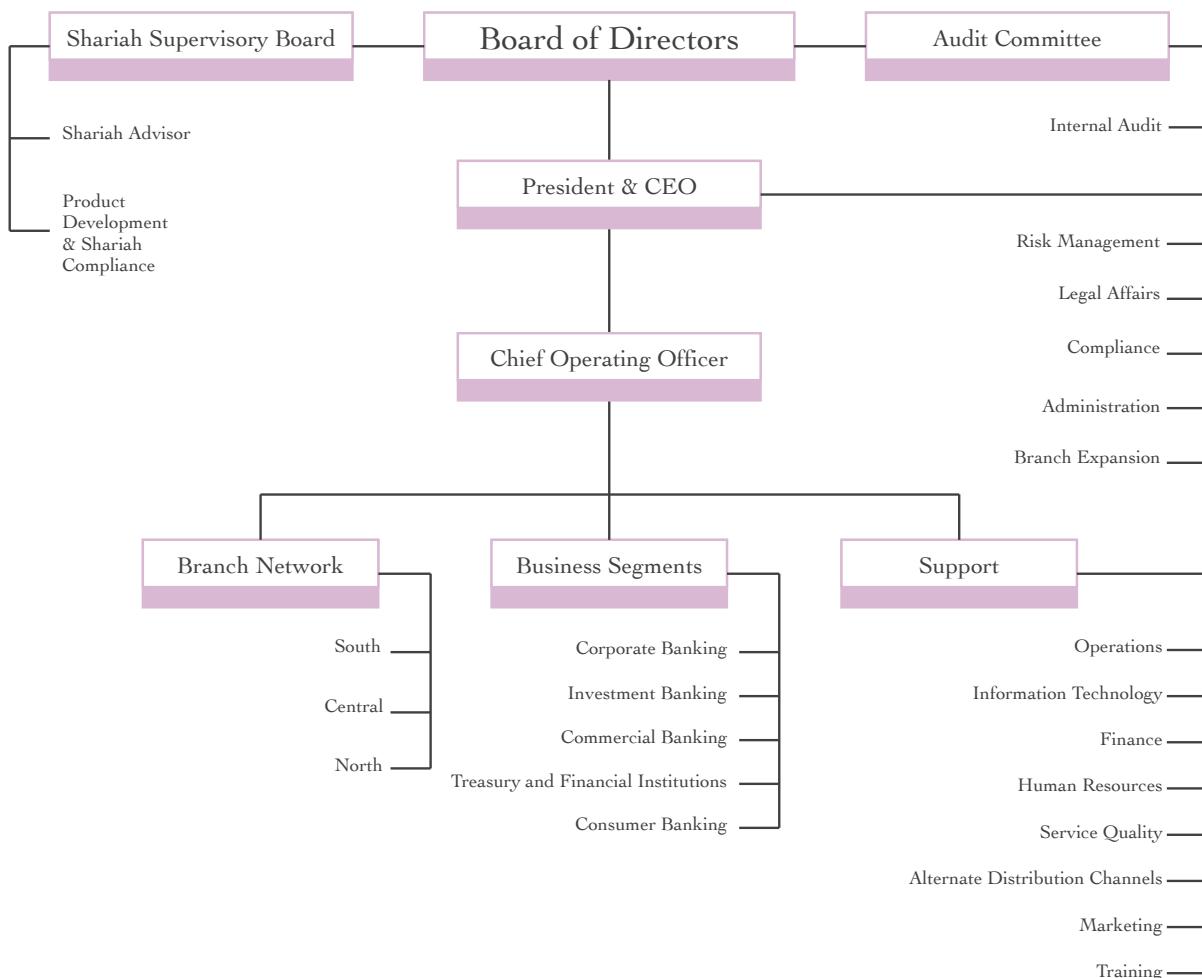
Treasury & Financial Institutions

Asset Management

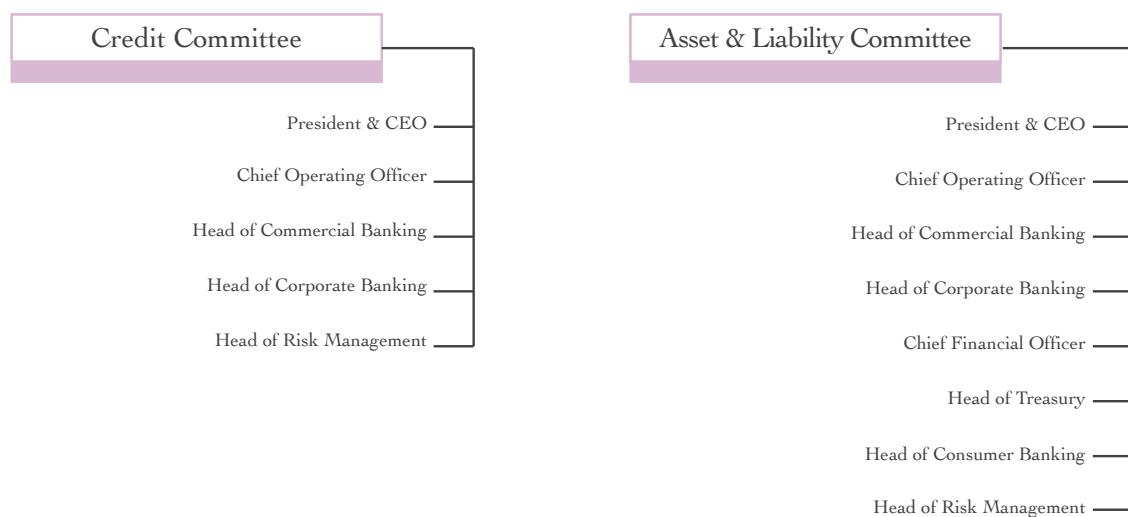
The Asset Management business is managed through a subsidiary Al Meezan Investment Management Limited.

The Retail Bank is organized in three Regions across Pakistan, namely South Region which has 65 branches, Central Region with 67 branches and North Region with 34 branches.

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



Composition of Significant Management Committees



History of Riba-Free Banking in Pakistan



1947

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

1980

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

1985

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

1991

Procedure adopted by banks in 1985 was declared 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 35 sub-branches) in 40 cities across Pakistan, Meezan Bank is clearly positioned as the leading Islamic Bank in the country. Work starts on the construction of Meezan Bank's new Head Office building.



The financing and investment portfolio of local Islamic banks reached Rs. 185 billion in December 2008 compared to Rs. 137.6 billion in December 2007. Market share in the overall banking increased to five per cent at end December 2008 compared with four per cent at end December 2007. Total assets of Islamic banking reached Rs. 271.1 billion in December 2008 compared to Rs. 205.2 billion in December 2007.

Chairman's Review



It is gratifying to note that Meezan Bank has been able to withstand the difficult market conditions that prevailed, both locally and internationally, and declared profitable operations for the year.

Alhamdolillah,

It gives me great pleasure to present the Annual Report of Meezan Bank for the year ended December 31, 2008. It is gratifying to note that Meezan Bank has been able to withstand the difficult market conditions that prevailed, both locally and internationally, and declared profitable operations for the year.

Significant amongst its achievements is the fact that the Bank was able to continue its branch expansion strategy and added 66 new branches to its network bringing the total to 166 branches in 40 cities in the country. This network coverage now ranks Meezan Bank 12th, by network size, out of a total of 40 scheduled Banks operating in the country.

Meezan Bank has, by the Grace of Allah, maintained impressive and consistent growth in deposits, average of 56% per annum, over the last five years. As a result Meezan Bank now has approximately 50% market share out of the 6 dedicated Islamic Banks operating in Pakistan.

To meet the requirements of the Banks' growth plan over the next few years and the enhanced capital requirement as required by the State Bank of Pakistan, the Board has announced a 35% Right Issue to increase the capital base of the Bank from Rs. 4.925 billion to Rs. 6.650 billion. The authorized capital of the Bank is also being increased from Rs. 8 billion to Rs. 11 billion. This is a clear demonstration of the shareholders' support to the Bank.

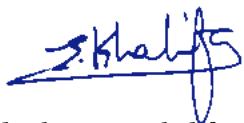
The Bank adopted a conservative financing strategy during the year across all business lines and maintained a low ADR – Asset (Financing) to Deposit Ratio, throughout the year. As a result the Bank has been very liquid and is a provider of funds in the interbank market under various Shariah-compliant transaction structures. Going forward, the direction given by the Board of Directors to the management is to maintain a cautious approach during these turbulent times and exercise extra prudence in all financing activities. This is consistent with our policy in previous years and we are confident that Meezan Bank will be able to maintain its profitable track record and consistent return to all stakeholders.

The Bank made significant investment in various Information Technology initiatives during the year – a new core banking application and Data Centre and 'hot' Disaster Recovery site. This is part of the Bank's strategy to ensure that all customer transactions are handled efficiently in a secure environment with near 100% redundancy.

Meezan Bank has clearly established itself as the leading Islamic Bank operating in Pakistan and has a track record of over six years as a full- fledged Islamic commercial bank. I am confident that Meezan shall, Insha'Allah, maintain its leadership position in the Islamic Banking industry.

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

May Allah grant us success in our endeavour.



Ebrahim Bin Khalifa Al-Khalifa
Chairman

February 20, 2009

Business and Operations Review

Business Review

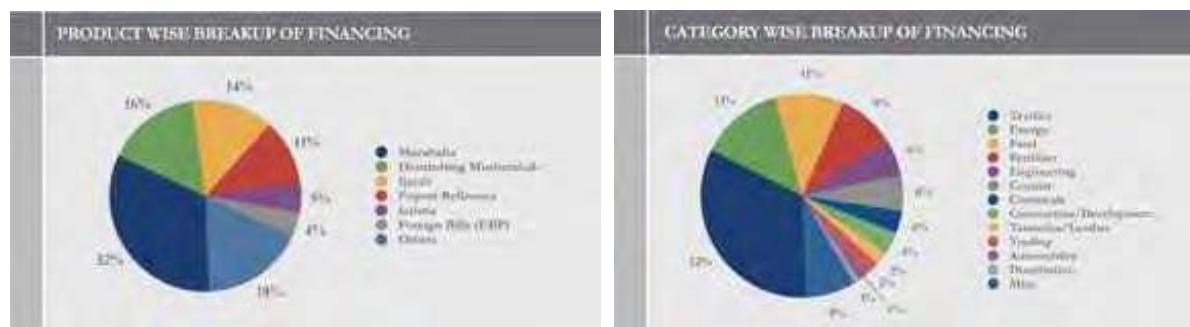
Alhamdolilah, the main business segments of Meezan Bank comprising of Corporate Banking, Investment Banking, Commercial Banking, Consumer Banking, Treasury and Asset Management performed well during the year, despite the downturn in the economy.

Corporate Banking

Corporate Banking plays an important role in the growth of the Bank's financing activities and profitability. During the year Meezan Bank maintained a cautious approach in booking new assets and focused on reducing large exposures to a single obligor so as to mitigate concentration of risk. In addition, the Bank carefully monitored sectoral risk concentration, especially in light of the weak macro-economic conditions that prevailed during the year. Efforts were made to deepen existing relationships by offering a complete range of Shariah compliant products to customers. Corporate banking assets, including Corporate Sukuks stood at Rs. 32.7 billion, an increase of 15% over 2007.

Working in close coordination with the product development team, Corporate Banking successfully introduced a new product called Tijarah – this product is designed to allow customers to raise funds for financing of stocks of finished goods. In addition, Istisna, which was introduced in 2007, was very successfully and extensively deployed across the Meezan Bank network. Both of these products are designed to cater to the broader working capital needs of our customers. We believe that these new products will play a significant role in the growth of Islamic Banking sector in the country.

The Bank's financing portfolio is well diversified across various business sectors. The concentration in textile sector is an industry-wide phenomenon due to its overall size and contribution to the economy.



For 2009, the focus is to concentrate mainly on sectors and industries that have growth potential or continue to show resilience, with the objective of further improving the sector-diversification mix and asset quality. At the same time, attention will be given to strengthening relationships and building on the base of high quality customers that are already a part of the Bank's portfolio.

Investment Banking

The Investment Banking department was set-up in 2006 and focuses primarily on the following activities:

- Syndicated & Structured Finance
- Project Finance
- Corporate & Financial Advisory Service

During the year Investment Banking consolidated its position as a dominant and lead player in the Shariah-compliant syndications and structured finance market and acted as a Lead or Joint Lead Manager for several transactions, a few of which are highlighted below:

<p>Sui Southern Gas Company Limited</p>  <p>SSGC</p> <p>Syndicated Musharaka Facility Rs. 1,000 million Lead Advisors & Arrangers</p> 	<p>Quetta Textile Mills Limited</p>  <p>Privately Placed Sukuk Rs. 1,385 million Joint Lead Advisors & Arrangers</p> 	<p>D.G.Khan Cement Company Limited</p>  <p>Privately Placed Sukuk Rs. 2,000 million Joint Lead Advisors & Arrangers</p> 
<p>Attock Power Gen Limited</p>  <p>Attock Gen Limited</p> <p>Additional Syndicated Finance Facility Rs. 1,420million Co-Arranger & Shariah Structuring Advisor</p> 	<p>Arzoo Textile Mills Limited</p>  <p>ARZOO</p> <p>Privately Placed Sukuk Rs. 740 million Lead Advisor & Arranger</p> 	

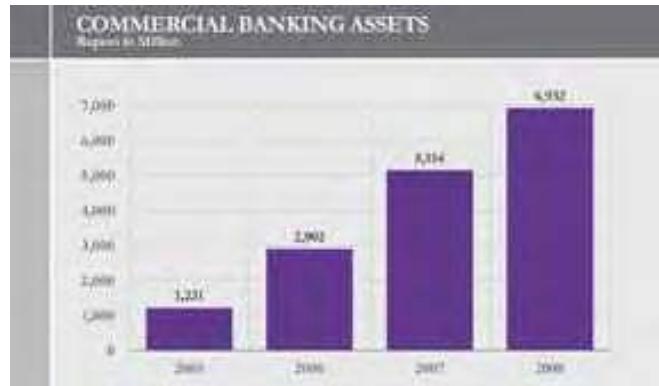
Investment Banking has developed unique Shariah structuring capability in a very short period of time and is actively involved in innovative product development initiatives required to meet the long-term project finance needs of customers. The team includes highly qualified and experienced professionals who are young and energetic, ensuring efficient delivery capability.

Commercial Banking (including Small & Medium Enterprises)

Commercial Banking targets the 'middle market'. This market represents the back-bone of Pakistan's economy and has high growth potential. Since the inception of this department in 2005, Meezan Bank has maintained a cautious and well balanced approach in booking Commercial Banking assets as a result of which portfolio asset quality has been very good – evidenced by timely payment of all obligations.

Customers with a turnover of less than Rs. 800 million fall in this business segment, that also includes 'small and medium scale enterprises' (SME). The SME unit targets customers with an annual turnover of upto Rs. 300 million and where the total financing requirement is restricted to Rs. 75 million.

The asset portfolio of Commercial Banking grew by 34.5% in 2008 to Rs. 6.932 billion showing a healthy growth trend over the year as well as over the life of this business line.



Consumer Finance

Consumer Finance is responsible for managing the retail asset products of auto finance – Car Ijarah and home mortgage – Easy Home. With pioneering and prime-mover initiatives in both products, the department has now established itself on sound business infrastructures, penetrated key market segments, and built recognizable brand identities in not only the Islamic but the overall banking sector. The emerging deterioration in economic fundamentals, a falling real estate market and rising inflation and interest rates has constrained the consumers' debt servicing capacity. The focus remained on share retention, product innovation, deeper market penetration, and above all profitable growth. As one of the four pillars of the Bank's revenue-generating system, as well as a significant future investment in terms of profitability and market share, Consumer Finance represents a key area of the Bank's business.

Absolute adherence to Shariah, cutting-edge products, service quality and a well-trained team are the embodiment of Meezan Bank's consumer finance. A Car Ijarah application is usually processed within two days, while the document-intensive and complex process of a Easy Home – home mortgage based on the concept of Diminishing Musharakah, is available in a record setting average of 15 days.

Despite all odds, the department consolidated its position in the industry and maintained its growth trend while maintaining good portfolio quality.

Auto Finance

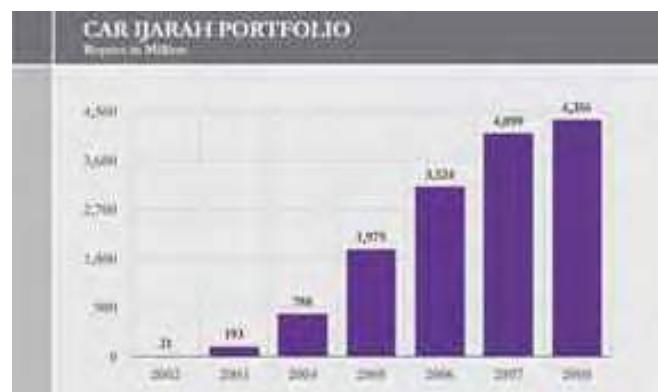
The auto finance industry experienced significant difficulties during the year and some other banks exited or substantially slowed down this business in 2008.

Meezan Bank has maintained a steady presence in the market and tightened its underwriting criteria in the light of increased vehicle prices and higher leasing rates coupled with higher inflation that affected the payment capacity of customers.

The auto finance business has a 7-year track record and its portfolio now stands at Rs. 4,356 million comprised of over 9000 active vehicle contracts. Growth has been steady during this period, within depressed and uncertain economic conditions.



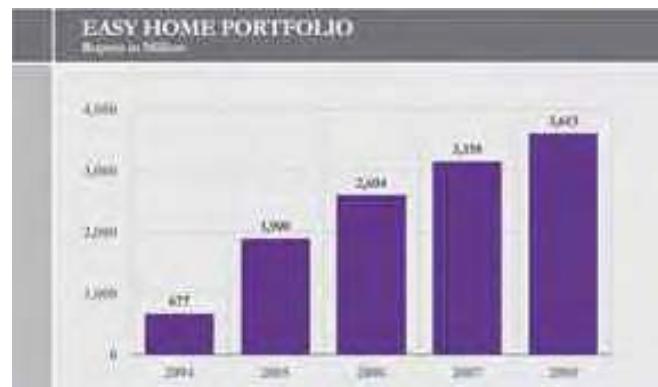
The core strategy of maintaining high portfolio credit quality remains the focal point of the business. Healthy portfolio management and risk-diversification is evident as delinquent assets stand at only 1.34% of the portfolio, which reflects the quality of the Bank's credit initiation and underwriting process. The product is available in 3, 4 and 5 year tenors.



Housing Finance

The nation's first Islamic Housing Finance facility, Meezan Bank's Easy Home completed its 5th year in December 2008 and consolidated its market position by undertaking Rs.1.5 billion new disbursements during the year. The overall business strategy was upgraded and initiatives were taken to establish sound business infrastructures, penetrate key market segments and build a recognizable brand.

The total housing finance portfolio currently stands at Rs. 3.6 billion representing 1,345 customers across Pakistan. The portfolio is well-diversified and is comprised of a variety of market segments including salaried individuals, businessmen and self employed professionals. The Bank managed to maintain its delinquent assets within acceptable limits of between 3% and 4% which is one of the lowest in the industry.

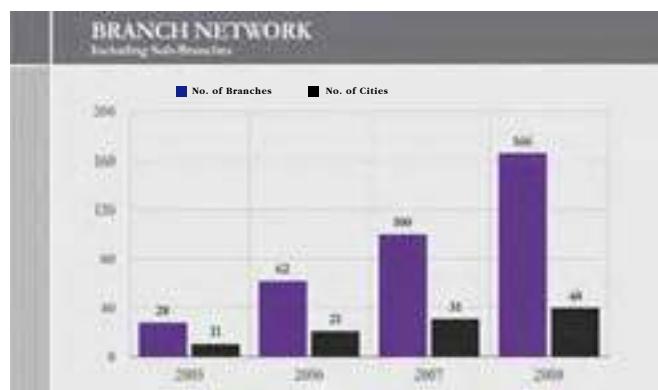




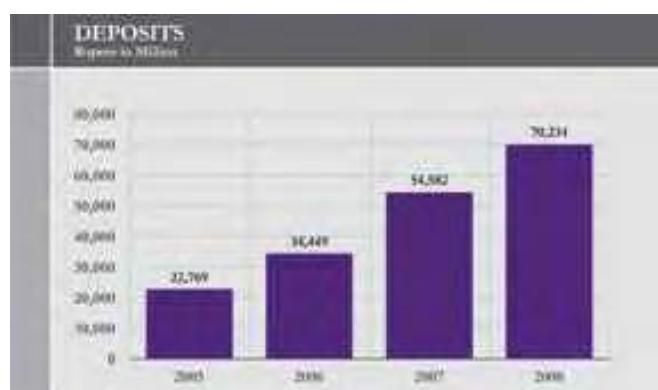
The logo features a gold circular background. In the center, the number '166' is written vertically above the word 'Branches'. To the right, the number '40' is written vertically above the word 'Cities'. At the top of the circle is a green circular emblem containing a white triangle with three circles inside, and the word 'MEEZAN' curved above it.

Branch Network & Deposits

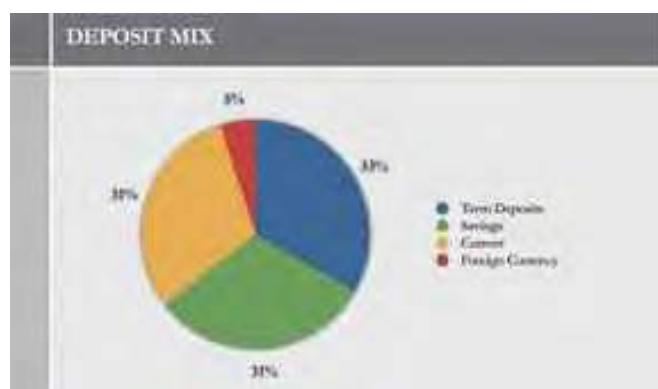
Despite the adverse macro-economic scenario, Meezan Bank has maintained an aggressive branch expansion policy and added 66 new branches and sub branches to its network, bringing the total network to 166 branches in 40 cities across the country.



The Bank's deposit portfolio grew by 29% to Rs. 70,234 billion during the year. This is significant when compared to the around 6% deposit growth achieved by the banking industry as a whole.



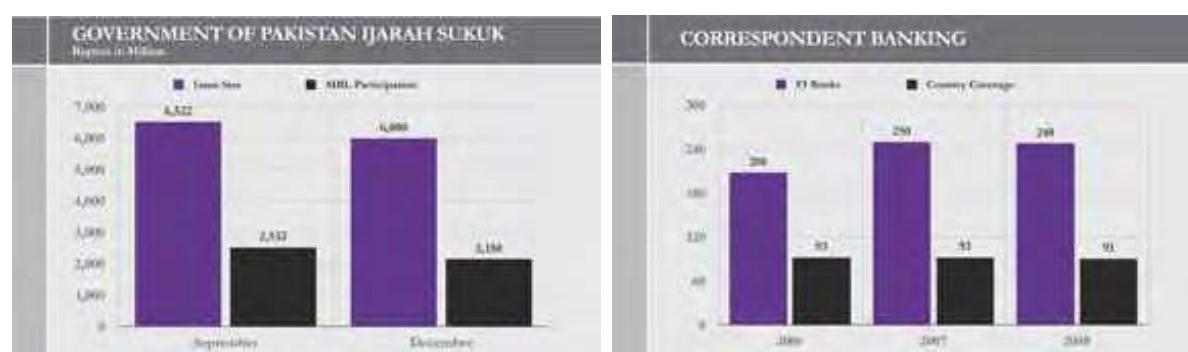
The Bank offers a wide range of deposit products including Current Account, Saving Account, Karobari Munafa Account, Meezan Bachat Account, Foreign Currency Account and a variety of Term Deposit Accounts, thus providing a complete range of Shariah-compliant deposit products to customers.



Treasury & Financial Institutions

2008 was an eventful year. The global financial melt down resulted in many mergers & acquisitions worldwide and Pakistan was no exception. Rising interest rates, coupled with a freeze in the local stock market for more than three months resulted in a severe loss of confidence and led to a liquidity crunch in the last quarter. Alhamdolillah, Meezan Bank remained unaffected by this crisis; rather becoming a formidable player in the local money market, placing funds with major banks and non-banking financial institutions using Shariah-approved structures. Efficient asset-liability management ensured that the Bank maintained a comfortable liquidity position throughout the year.

During the year an interbank Sukuk placement/ deposit product was developed as a Shariah-compliant alternative to the repo / reverse repo transactions being executed by conventional banks. As a result, Treasury was not only able to deploy its excess liquidity, but also benefit from the SLR-eligible security that was in its custody for the period. The second half of the year witnessed the issuance of the long-awaited Government of Pakistan (GOP) Ijarah Sukuk via two auctions. This SLR-eligible Sukuk is a floating-rate instrument, issued for 3 years, and is redeemable at SBP counters, on the same pattern as Pakistan Investment Bonds. Meezan Bank, being a primary dealer, participated overwhelmingly to ensure that both the auctions were a success. Meezan Bank was the largest subscriber in both issues. The Bank managed to successfully create a secondary market for this instrument, selling Rs. 870 million of this Sukuk to corporate entities, banks, and NBFIs.



Going forward, Meezan Bank expects the issuance of one-year GOP Ijarah Sukuk on the same basis as the market for government Treasury Bills. Such an instrument would allow Islamic banks to manage short-term liquidity more efficiently and bring Islamic banks at par with other institutions. In addition, clean money market placement opportunities under Musharakah / Wakala contracts were created during the year as a result of which Meezan Bank is now successfully able to place funds with Islamic Banks and Islamic Banking Branches of conventional banks.

Despite the loss of confidence experienced in the financial sector both locally and internationally, Meezan Bank continued to enjoy substantial credit 'lines', reflecting its strong standing. The Financial Institutions Unit (FI), was therefore able to arrange the successful execution of trade transactions with its correspondents amid the backdrop of an unprecedented meltdown of financial markets internationally and the economic crisis faced by Pakistan.



A significant achievement during the year was the Trade Facilitation Agreement signed by the Bank with the International Finance Corporation (IFC). Under this facility IFC provides a back-stop to banks – listed in the IFC panel of banks – that add their Confirmation on Letters of Credit issued by Meezan Bank. In effect, IFC takes the sovereign risk exposure on these transactions and as a result this arrangement facilitated the Banks trade finance business.

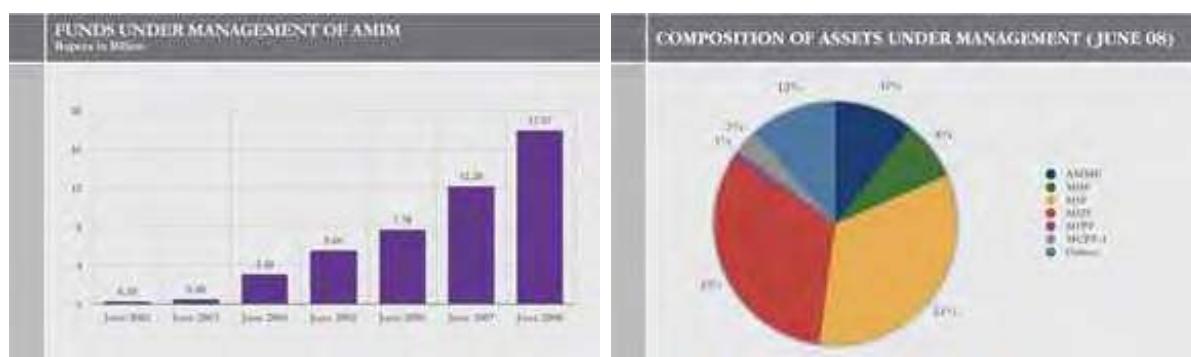


Al Meezan Investment Management Ltd.

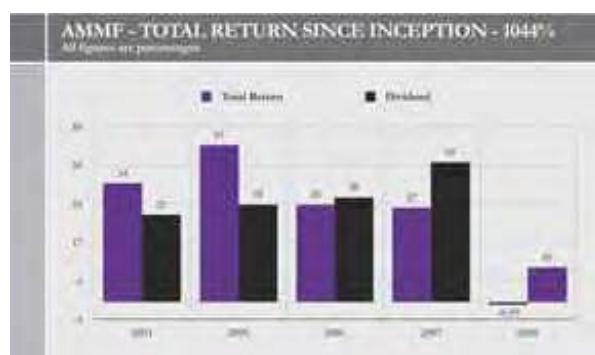
Asset Management

The asset management business of Meezan Bank is managed by its subsidiary, Al Meezan Investment Management Limited (AMIM). The company has been in operation since 1995 and has one of the longest track records of managing mutual funds in the private sector in Pakistan. It is also the only asset management company with sole mandate of providing Shariah-compliant investment solutions in the country.

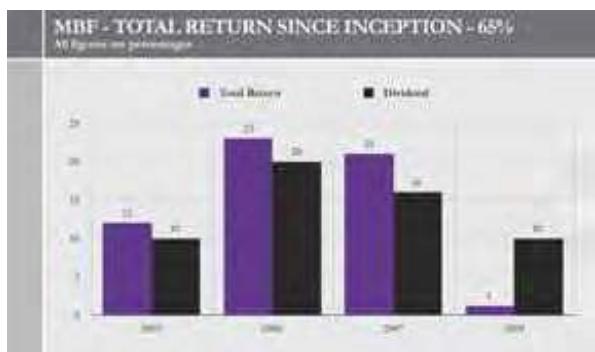
AMIM is the first asset management company in Pakistan that has voluntarily adopted the CFA Institute's 'Asset Manager code of Professional Conduct', which outlines the ethical and professional responsibilities of firms.



The Product Development and Shariah Compliance team of Meezan Bank monitors the operations of AMIM and ensures the compliance of funds under management according to Shariah guidelines. AMIM's Product Development team works proactively to introduce new Shariah-compliant products in the market. In May 2008, AMIM launched its sixth fund, Meezan Capital Protected Fund (MCPF-1). In September 2008, it collaborated with Karachi Stock Exchange (KSE) to launch the country's first co-branded Islamic Index 'KSE-Meezan Index (KMI)'. The index includes thirty companies that meet the KMI Shariah screening criteria and are weighted by float adjusted market capitalization subject to a 12% cap on weights of individual securities. In addition, the Product Development team also launched Monthly Income Plan and Meezan Mahana Kharch Account, to provide the investors with stable and Halal regular income stream with free Takaful coverage. The Monthly Income Plan is the only income fund that provides a Takaful coverage.



Al Meezan Mutual Fund Limited (AMMF) was the first fund launched by AMIM in 1996 and is one of the oldest mutual funds in the private sector. It is a closed end equity fund investing in Shariah-compliant listed equity instrument. It has paid an impressive dividend to its investors since inception. The fund's average annual return since inception has been 23.6% p.a.



Meezan Balanced Fund (MBF) is Pakistan's only Shariah-compliant balanced fund that invests between 50% and 60% of its net assets in Shariah-compliant listed equities while the remaining assets are deployed in Shariah-compliant income instrument. MBF is a closed-end fund that was launched in December 2004 and since then it has provided an average annual return of 9.92% to its investors.



Meezan Islamic Fund (MIF) is the flagship open-end equity fund of AMIM. It primarily invests in Shariah-compliant listed equity instrument. The fund was launched in August 2003 and its net assets stood at Rs. 2.5 billion as on December 31, 2008. MIF not only enjoys the status of largest Shariah-compliant equity fund in Pakistan but also has the privilege of being the largest open-end equity fund in the private sector. On average the fund has provided an annualized return of 23% to its investors since its inception.



Meezan Islamic Income Fund (MIIF) is an open-ended income fund that invests in Shariah-compliant instruments including Sukuks, Musharakah Certificates, Mudaraba Placement and other Shariah-compliant products. The fund was launched in December 2006 and is the first and the largest Shariah-compliant income fund in Pakistan. It closed 2008 with the assets under management of Rs. 4.3 billion. For the month of December 2008 the fund provided an annualized return of 15.89% to its investors.

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

Meezan Capital Protected Fund-I (MCPF-I) was launched in May 2008 as Pakistan's first Shariah-compliant Capital Protected Fund. This fund provides an investment opportunity to investors who desire protection of their capital and are willing to invest for relatively longer periods and want to get benefit of any gain from investments made by the fund in the stock market.

Operation Review

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

Product Development & Shariah Compliance (PDSC)

To ensure Shariah Compliance in Bank's operations and ensure innovative product development, a dedicated and full fledged Product Development and Shariah Compliance (PDSC) department was 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 & Research

Several new initiative were undertaken to develop new and value-added innovative solutions fulfilling the need of the customers in a Shariah-compliant manner. In order to increase focus on Musharakah-based financing, a product based on the concept of Running Musharakah as a Shariah-compliant alternative for Running Finance (Overdraft facility) has been successfully developed and is offered to the Bank's customers. The Bank is also developing a transaction-based Musharakah facility to cater to the working capital requirements of traders, exporters and manufacturing concerns.

As a leader in Islamic structured finance products, Meezan Bank lead-managed a number of new Shariah-compliant Sukuk issues and also handled notable Islamic syndicated transactions that were specifically structured for large corporate customers.

Internal Training

Meezan Bank recognizes the importance of continuous training and development of staff. Approximately, 60 Islamic Banking training sessions were held in 2008 in which some 1800 employees participated. In addition, the 3rd Batch of the Islamic Banker Certification program – an intensive 4 month online course was successfully completed in Karachi, Lahore and Islamabad.

To encourage self development and learning on Islamic Finance, a mini Islamic Banking Library, comprising of a set of twelve books on Islamic Banking, Finance and Takaful written by renowned scholars was placed at Meezan Bank's branches for the employees.

External Training

In line with the Bank's vision to make Islamic banking the banking of first choice, Meezan Bank arranged a number of seminars and workshops for the general public designed to promote a greater understanding of Islamic Banking. The Bank also supported other institutes in Pakistan including State Bank of Pakistan (SBP), National Institute of Banking And Finance (NIBAF), Institute of Bankers Pakistan (IBP) and Centre for Islamic Economics (CIE) in conducting Islamic banking training sessions. The Bank also supported a 17-episode program named 'Let's talk about Islamic Banking' on a national TV channel.

Two booklets on Islamic Banking and Zakah written by the Bank's Shariah Advisor, Dr. Imran Usmani were also published and distributed. Furthermore, Islamic Banking courses were successfully introduced in different institutes including Institute of Business Administration Karachi, Institute of Business Administration Sukkur, Institute of Business Management, Karachi Institute of Economics and Technology (PAF-KIET), and Sheikh Zayed Islamic Institute (Karachi University).

Shariah Compliance & Audit

In order to ensure Shariah-compliance in the implementation of Islamic Banking products, PDSC actively monitors various activities of the Bank throughout the year and works in close liaison with Internal Audit and Compliance functions of the Bank to ensure Shariah-compliance through multiple cross-functional checks and specific trainings.

Islamic Banking Advisory Services

Meezan Bank provides product development and capital markets, Shariah Advisory services to different financial institutions interested in offering Islamic Banking products and services around the world. The main objective of the Bank's advisory function is to help institutions develop Islamic financial products by sharing its experience and research. In the area of product advisory, PDSC offered its services to Zayan Real Estate Financing Program - the first ever Shariah-compliant commercial real estate financing solution offered in the United States, by the Capitas Group. During the year, PDSC also advised Al Meezan Investment Management (AMIM), National Fullerton Asset Management Company and KASB Funds Limited for the management and launch of various types of Shariah-compliant mutual funds. Being the Shariah Advisor of AMIM, PDSC also provided Shariah Advisory Services to KMI - 30 Index (KSE Meezan Islamic Index), Pakistan's first ever Shariah-compliant Islamic index.

In order to support other institutions in offering Shariah-compliant products, Meezan Bank also entered into 'Shariah Technical Services and Support' agreement with various financial institutions including AKD Investment Management Limited and Pak Oman Asset Management Limited for the launch of Islamic mutual funds. Several advisory projects are currently in the pipeline and negotiations with interested institutions are already underway. The Bank is also involved in providing Shariah related advisory services to various organizations for converting their business activities into Shariah-compliant business ventures.

Operations

The Operations Department is responsible for complete back-office processing for Branch Banking, Trade Finance, Credit Administration, Treasury, Capital market, ATM and Mutual funds. The primary objective of the Operations department is to ensure that all transactions are accurately processed in line with the Service Level Agreements agreed with various departments. During 2008, major activity was the ongoing implementation of the Temenos T24 banking software that is scheduled to go live by June 2009.

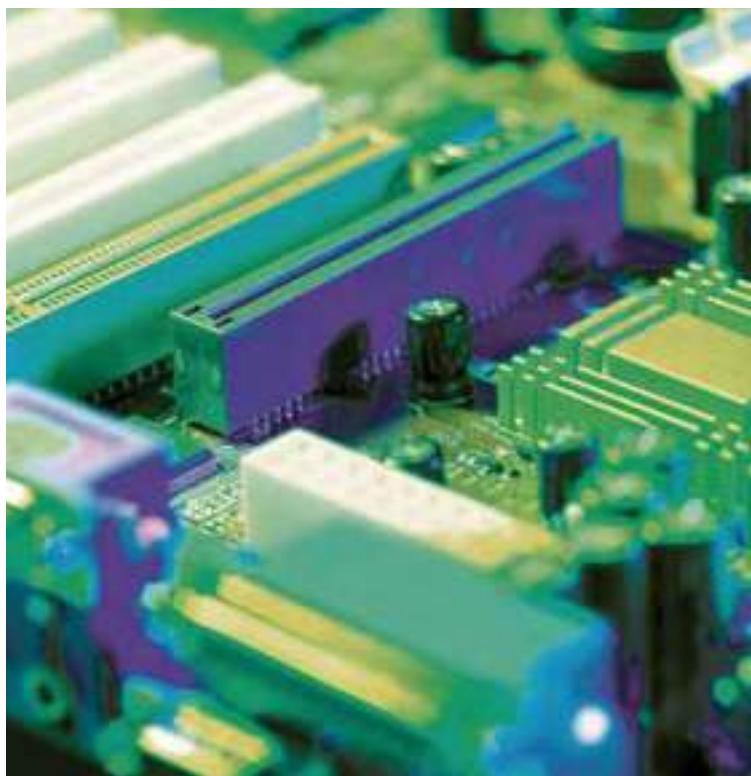
In order to strengthen its internal controls, the Bank has centralized the Bank Account Opening Process. This centralization initiative is being implemented in phases, starting with the South region in 2008 and the North and Central regions within the first half of 2009.

Another initiative is the introduction of an exclusive Cash House for timely catering of the branches' cash needs. The Cash House in the South region will commence operations in the first quarter of 2009 and will be introduced in the Central and North Regions in the latter half of the year.

Trade finance is an important area of the Bank's operations. The Bank handled import and export business (foreign and local) amounting to over Rs. 90 billion against target of Rs. 81 billion, as a result of which the income on trade finance transactions increased by 21% in 2008.



The Bank offers an Islamic Export Refinance facility under an innovative Musharaka arrangement between the Bank and the State Bank of Pakistan (SBP). Under the terms of this facility SBP provides concessional financing to 'qualified' exporters in an arrangement with the Bank.



Information Technology

The key objective of the Information Technology department is to ensure that Meezan Bank remains abreast of latest developments in technology and has a clear IT road-map aimed at empowering our business groups to introduce new products and services, enforce stringent operational controls and enable IT to be more ergonomically customer-focused and customer-friendly.

In order to fulfill the Bank's vision to make Islamic banking as banking of first choice, an aggressive branch rollout plan is in place. In 2008, 66 new branches were added, bringing Meezan Bank's branch network to 166 online branches in forty cities of the country with a network of 120 ATMs.

To support the technology needs of this large network, a world class core banking application, Temenos, was selected. Temenos solutions are being used at over 400 financial institutions worldwide. Preparation for User Acceptance Testing of Core Retail & Trade Finance Modules is under way.

Other key activities undertaken by IT:

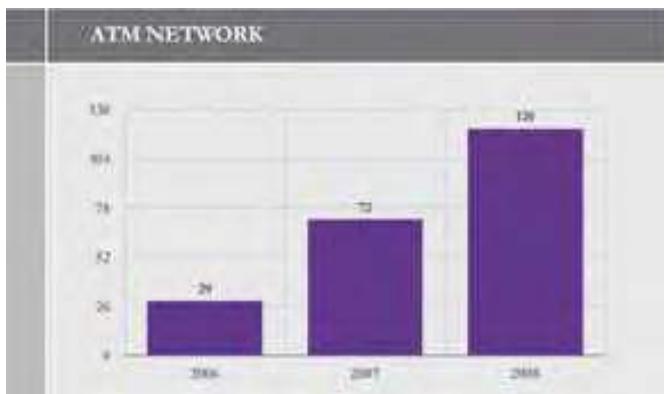
- The Bank is implementing Oracle RDBMS which will ensure effective management of data in a highly secure and resilient environment and further strengthen core banking initiatives.
- The Bank acquired a financial ERP, Oracle e-suite (Oracle Financials) to improve financial controls, transparency and good governance.
- Video Conferencing infrastructure was deployed at all major locations of the Bank in order to further improve coordination amongst senior staff members.
- The Bank established a state-of-the-art data center in line with international standards; the main benefit of this will be business continuity and disaster recovery. This was a major step in improving the resilience of the Bank's IT infrastructure.
- IT is also facilitating the implementation of various systems such as the Human Resource Management System, the Data Warehousing System etc.

Alternate Distribution Channels (ADC)

Meezan Bank is a firm believer in providing its customers with products that allow them to fulfill their banking needs with ease and convenience. In this regard the ADC provides a number of facilities to our customers to monitor and access their accounts 24 hours a day, 7 days a week.

The latest addition to the Bank's 24/7 suite of products is SMS Alerts. Once signed-up, customers receive an SMS alert on their mobile phone every time a transaction takes place in their account. The popularity of this product can be gauged from the fact that since the launch of this product in July 2008, the Bank has more than 18,000 customers using this facility.





The Bank's ATM network has grown considerably over the last year. It has added an average of 4 ATMs a month in 2008 to take the total network size to 120 on-line ATMs located both at branches and at prominent off-site locations. The network is connected to two national switches that allow customers to access over 3,000 ATMs across the country.

The Meezan Bank Debit Card offers customers safety and convenience by offering them the facility of paying their bills directly from their current or savings account. The Bank is now in the final stages to rolling out its new Visa Debit Card product which will give customers access to 29 million merchants and 1.4 million ATMs worldwide.

Meezan Bank operates a 24 hour Call Center facility allowing its customers access to a wide range of Tele-banking solutions and personalized banking services including answers to queries regarding Islamic Banking.

Internet Banking (<https://ebanking.meezanbank.com>) is a user friendly tool which allows Meezan Bank's customers to conduct their banking transactions in the comfort of their home or office. The Bank uses leading edge encryption technology to ensure complete security. Tasks such as ordering a Payment-order or changing of mailing address and contact details are easily done in minutes.

Human Resources

For Meezan Bank, Human Resource Management is its strategic and coherent approach to manage its most valuable asset i.e. people who contribute to the achievement of its business objectives. The Bank recognizes that HR practices can differentiate the organization – via core people competencies – from competition in the market-place.

Meezan Bank continued to attract and recruit staff through 2008 for its aggressive branch expansion plan as well as for its Head Office departments. Meezan Bank believes that its 3000+ employees are its greatest asset and a major reason for its growth and success.

In order to efficiently manage the fast-growing head count of Meezan Bank, the bank has decided to implement a new HR system, Oracle HRMS, which is expected to go live in 2009 Insha'Allah. This will automate HR procedures, simplify workflows, improve MIS, facilitate the implementation of policies and improve employee record-keeping. In addition, a comprehensive HR policy is in final stages of preparation and will be implemented in 2009 Insha'Allah.

Meezan Bank affirms the important role played by its line managers / supervisors in managing the Bank's human resource. Senior HR professionals at the Bank serve as strategic business partners for line management making the HR department a facilitator of HRM; an HR coach for line; an HR administrative hub and an architect and guardian of HR policies, procedures and systems.



Meezan Bank becomes 'ACCA Approved Employer'



Meezan Bank Limited and The Association of Chartered Certified Accountants (ACCA) started their strategic partnership in 2006 when Meezan Bank became an "ACCA Approved Employer" providing training to ACCA recruits. During 2008 Meezan Bank Limited further strengthened its strategic relationship with ACCA by becoming ACCA's CPD Approved Employer. Now the enriched experience gained at Meezan Bank will be recognized by ACCA and will count towards the professional development requirement of ACCA members.

ACCA is a global body of professional accountants which aims to offer qualification to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. Presently ACCA has 122,000 members and 325,000 students worldwide.

Presently Meezan Bank Limited has 3 ACCA Members, 4 ACCA Affiliates and 9 ACCA Trainees serving in different departments of the Bank including Investment Banking, Finance, Corporate Banking, Risk Management, Treasury, Shariah and Internal Audit Department.

Training & Development

By the grace of Almighty Allah, 2008 has been a very productive year from a Training perspective. A dedicated Training Department was put into place and has been overseeing and coordinating training activities of both the Head Office departments and the branches.

Orientation Program

The widespread growth of branch network in different cities of the country posed immense training related challenges since each new entrant needs to become a true ambassador of Islamic Banking. Each new employee is now required to attend a mandatory two-day Orientation program held once in a month in all three Regions of the Bank to familiarize with the organization and provide a good basic understanding of Islamic Financial concepts which are then further developed through more detailed and focused trainings over time.

Trainee Officer Program

This is now an ongoing program in which candidates with a Masters degree from Pakistani universities (or equivalent) with a strong academic background are selected through a rigorous selection process and provided six months of intensive classroom and on-the-job rotational training before being posted to the Bank's branches. A total of 185 trainees were hired across the country through this process during 2008. There has been a very positive feedback from the branches on this initiative and this is now a regular, biannual exercise for the Training Department.

Cash Officer Program

Candidates with bachelor degrees hired for Cash Officers Program, are provided with one week intensive classroom training and placed in the branch network as Trainee Cash Officers. This program has also received a very positive feedback from the branches network and will be continued as a regular recruitment channel.

DVD Training Initiative

Pre-recorded videos of discussions and questions and answer sessions on Islamic Banking are provided to branch managers. Branch staff watches these programs and takes brief quizzes under the supervision of the Branch Manager. This activity has proven to be an effective way of training the staff without disrupting service to the customer.

General Banking Refresher Courses

Refresher courses are being conducted for existing experienced staff across the country in their respective areas of general banking. The courses include Account Opening, Clearing, Remittances, Lockers and ATM Operations etc. The idea is to keep the staff current on business processes and regulations.

Train the Trainer

As a part of our initiative to continuously improve the quality of our internal training programs, in-house Train-the-trainer sessions were conducted for Internal Trainers across the country to improve their teaching and presentation skills.

The focus of the Training initiative is to improve the quality of our service and the experience of our customers through continuous development of our staff's functional and soft skills. Our efforts are driven through internally resourced trainers from within the Bank, thus embedding a tradition of continuous improvement in line with the Bank's culture and values.

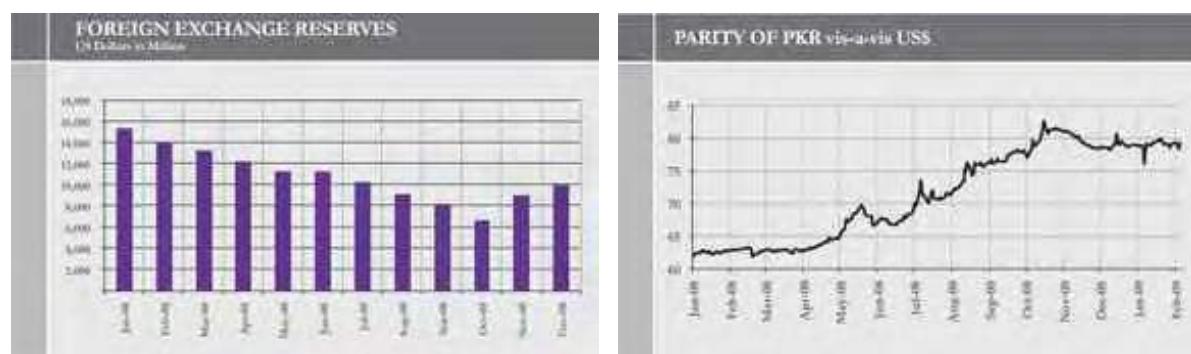
Directors' Report to the Members

The Directors of Meezan Bank Limited are pleased to present the twelfth 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, 2008.

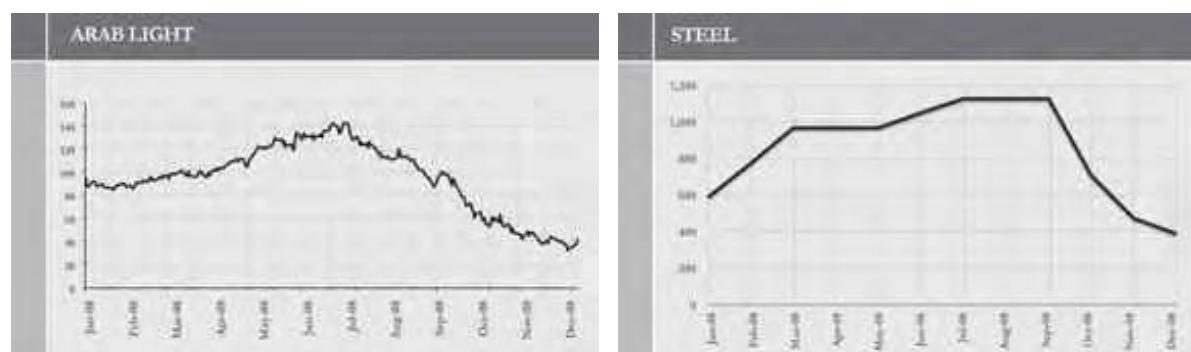
Economic Overview

2008 was a tumultuous year for the world's financial sector, starting with Sub-prime mortgage crisis in USA that eventually led to the collapse of the financial giant Lehman Brothers and started the biggest downturn faced by the financial industry since the Great Depression of 1929. Relative to this cataclysmic crisis faced by the international financial markets, the Pakistan banking sector has remained relatively stable.

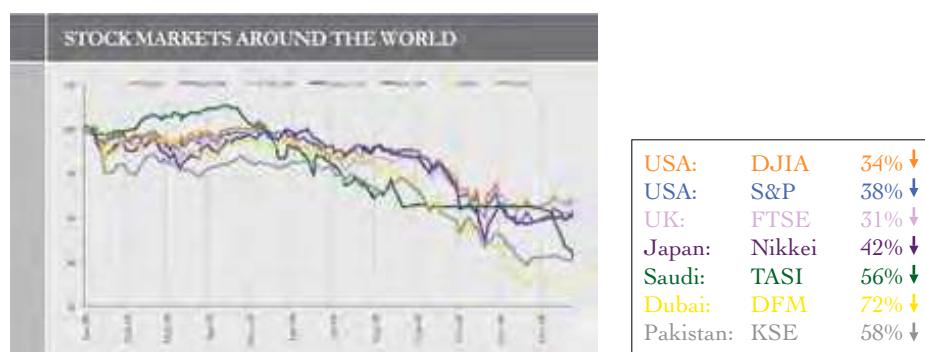
Pakistan's economy has however been significantly impacted, largely due to high oil prices that prevailed during the year, drop in exports and the steep decline in Foreign Direct Investment (FDI). The external current account deficit grew to US \$14 billion, equivalent to 8.4% of GDP which is approximately three and a half percentage points higher than the initial projection for the year 2008 and more than twice of last year's level in absolute terms. As a result, foreign exchange reserves dropped sharply and the Pak Rupee depreciated by over 30% during the year.



Due to rapidly depleting foreign exchange reserves and adverse balance of payment, the Government of Pakistan agreed to enter IMF's Stabilisation Program in the last half of the year 2008. Initial results are satisfactory and have stabilized the Rupee exchange rate. Further, the steep decline in oil prices during the last quarter, together with fall in prices of all commodities, has provided significant relief to the economy, as a result of which foreign exchange reserves are also now stable and inflation, although still high, has also decreased to levels of around 20%.



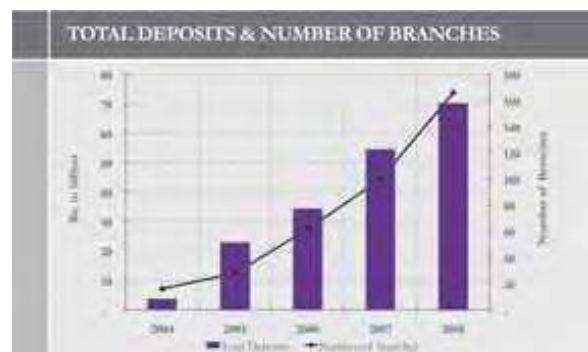
The global economic slowdown has also affected the stock exchanges all over the world and consequently, the domestic stock market also declined during the year.



Operating Results

Despite the gloomy economic outlook, Meezan Bank continued with its branch expansion strategy. By the Grace of Allah, the Bank now has 166 branches located in 40 cities in Pakistan, an addition of 66 branches including 35 sub branches during 2008. This significant achievement of establishing an extensive network within a short span of 7 years enabled Meezan Bank to maintain its leading position among the Islamic Banks operating in Pakistan. As a result the Bank was able to record strong growth in deposits, that increased by 29% - compared to the banking sector as whole that grew by approximately 6% during the year. A few financial highlights are given below:

	2008	2007	Growth in %
Rs. in millions			
Deposits	70,234	54,582	29
Financing and Investments	54,055	45,112	20
Trade Business	93,379	73,123	28
Branches	166	100	66



The economic down turn had a serious toll on the entire banking sector of the country in two major areas. Firstly, delinquencies have increased as a result of which non-performing portfolio of the banking industry reached Rs. 233 billion till September 30, 2008, representing 7% of the gross advances of the industry. This is expected to increase further in the coming quarters of 2009. Secondly, as a result of the unprecedented decline in the KSE 100 index from 14,075 at January 1, 2008 to 5,865 at December 31, 2008, a decline of 58%, unrealized losses on listed investments has increased manifold.

As a result of these two factors, Meezan Bank also made provisions in both areas and provided an amount of Rs. 428 million against non-performing financing during 2008 (2007: Rs. 435 million) and a further unrealized loss of Rs. 628 million on the Bank's portfolio comprising of listed and strategic investment, against a capital gain of Rs. 502 million earned in 2007.

It is gratifying to note that despite the erosion of Rs. 1,056 million on the above two accounts the Bank recorded a post tax profit of Rs. 621 million with an EPS of Rs. 1.26 and return on equity of 10.3%.

Administrative expenses increased by 53% over last year mainly attributable to expansion in branch network from 100 to 166 branches including 35 sub-branches. The increase in expenses is an investment in the future with new branches contributing to the profitability of the Bank within 12 to 18 months.

The Bank adopted a cautious approach in booking new assets, and although its financing portfolio grew by a modest 15%, deposit growth was substantially higher and consequently the Bank remained very liquid during the year, maintaining a very comfortable average ADR of 52%. Income from 'core' banking activities also registered very healthy growth of 60% over the previous year.



Financial Results Rs in millions

PROFIT AND LOSS ACCOUNT	2008	2007
Return on financings, investments and placements	6,803	4,574
Return to depositors	(3,088)	(2,452)
Net spreads before provisions	3,715	2,122
Fee, Commission, forex and other income	802	742
Dividend	244	104
Gross Core banking income	4,761	2,968
Operating expenditure	(2,713)	(1,765)
Core banking income before provisions	2,048	1,203
Provision against non performing financings	(428)	(436)
Capital (loss)/gain/provision for impairment on investment	(628)	502
	(1,056)	66
Profit before tax	992	1,269
Taxation	(371)	(306)
Profit after tax	621	963

In accordance with SRO 150(I) 2009 dated February 13, 2009 issued by the Securities and Exchange Commission of Pakistan, the impairment loss on equity securities held as 'Available for Sale' has been reported in Deficit on revaluation of investments. In case this impairment loss had been charged to Profit and Loss Account, profit for the year would have been lower by Rs. 305.638 million and earnings per share would have been lower by Re. 0.62.

The Islamic Banking Industry continues to grow in Pakistan and six-full fledged Islamic Banks are now in operation. We welcome the advent of new Islamic banks and pray for the success of all players in this field. We are confident that there will be good co-operation between these banks, which will no doubt benefit all participants.

Earning Per Share

Due to decrease in profitability as a result of current economic situation of the country, the Earning per Share decreased from Rs. 1.96 to Rs. 1.26 per share.

Dividend

During the year, 8.6% interim bonus shares were issued (2007: 20% bonus shares) continuing the Bank's unbroken payout record since the date of listing on the stock exchange.

Right Shares

In order to meet SBP's recently revised Minimum Capital Requirements of Rs. 23 billion by December 31, 2013, the Board has approved a Business Plan 2009-2011 and decided to issue 35% Right issue at par to the existing shareholders aggregating to Rs. 1.724 billion. This capital injection will take the banks paid up capital to Rs. 6.65 billion.

Corporate and Financial Reporting Framework

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

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. The accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
6. There are no doubts upon the Bank's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
8. Key operating and financial data for the last six years in summarized form, categories and pattern of shareholding as required by the Companies Ordinance, 1984 are annexed to the report.
9. The value of investments of the Bank's recognized Provident Fund based on audited accounts as at December 31, 2007 amounted to Rs. 91.351 million and based on un-audited accounts as at December 31, 2008 amounted to Rs. 145.459 million. The value of investments of Gratuity Fund amounted to Rs. 33.129 million based on un-audited accounts as at December 31, 2008.
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, 2008 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, organisational structure and risk measurement and monitoring mechanism that are closely aligned with overall operations of the Bank. Risk management activities broadly take place at different hierarchy levels. The Board of Directors provide the overall risk management supervision. The management of the Bank actively ensures that the risks are adequately identified, measured and managed. An independent and dedicated risk management department guided by a prudent and a robust framework of risk management policies and guidelines is in place.

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

1. Risk Management Committee
2. Audit Committee

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

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

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

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

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

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

Credit Rating

The JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Agency, Japan has graded the Bank's long-term entity rating at A+ with a stable outlook, while the short-term rating has been graded at A1 based on the results for the year ended December 31, 2007.

Pattern of Shareholding

The pattern of Shareholding as at December 31, 2008 is annexed with the report.

Directors

During the year, two directors, Mr. Istaqbal Mehdi and Mr. Mohamed Abdul Rehman Hussain, resigned and Mr. Jassar Dakheel Al- Jassar and Mr. Nawal Ahmed were appointed by the Board as Directors to fill the casual vacancies. The Board welcomes the new Directors and wishes to place on record its appreciation for the services rendered by Mr. Istaqbal Mehdi and Mr. Mohamed Abdul Rehman Hussain.

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, 2009.

Future Outlook and Strategy

Having completed seven years as a full fledged Islamic Commercial Bank, the Board reviewed and approved a Business Plan for the period 2009 to 2011. The highlights of the Business Plan are to:

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

Clearly the task for 2009 will be very challenging in the backdrop of the current economic slow down. However, the Bank has a positive outlook for the country and believes that the government will continue with its growth policies. Therefore, the Bank will continue to build market share through a branch expansion plan supported by a strong technology backbone. Meezan Bank plans to expand its branch network to approximately 200 branches by the end of the year that will further increase its customer out-reach, particularly the middle income group.

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

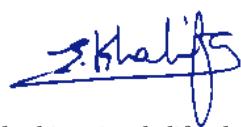
As technology assumes ever increasing importance in the banking services industry, the Bank has developed a comprehensive IT strategy to see it through the coming years. The Bank is in process of implementing a new core banking application - T-24 (a product of Temenos, a leading Swiss software company). The deployment is in progress and will be completed in 2009.

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

Acknowledgement

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

On behalf of the Board



Ebrahim Bin Khalifa Al-Khalifa
Chairman

February 20, 2009.



Irfan Siddiqui
President & CEO

Annexure to the Directors' Report

for the year ended December 31, 2008

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, 2008	Number of shares purchased during the year	Bonus shares allotted during the year	Number of shares sold during the year	Number of shares as at Dec.31, 2008
NAME OF DIRECTORS					
H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa	2,527,873	-	766,450	-	3,294,323
Mr. Naser Abdul Mohsen Al-Marri	2,527,873	-	766,450	-	3,294,323
Mr. Rana Ahmed Humayun	505,476	-	153,260	-	658,736
Mr. Irfan Siddiqui	9,097,757	-	1,828,151	(10,817,307)	108,601
Mr. Ariful Islam	3,560,275	-	712,055	(4,272,330)	-
CFO & COMPANY SECRETARY					
Mr. Shabbir Hamza Khandwala	322,007	-	64,401	(386,408)	-

During the year, four 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	2
Mr. Jassar Dakheel Al-Jassar (Appointed on August 1, 2008)	1
Mr. Istaqbal Mehdi (Resigned on April 30, 2008)	2
Mr. Mohamed Abdul-Rehman Hussain (Resigned on March 8, 2008)	1
Mr. Rana Ahmed Humayun	4
Mr. Mohammed Azzaroog Rajab	1
Mr. Ahmed Abdul Rahim Mohamed	3
Mr. Nawal Ahmed (Appointed on July 3, 2008)	2
Mr. Irfan Siddiqui - President & CEO	4
Mr. Ariful Islam	4

Statement of Value Added and Distributed

Value Added

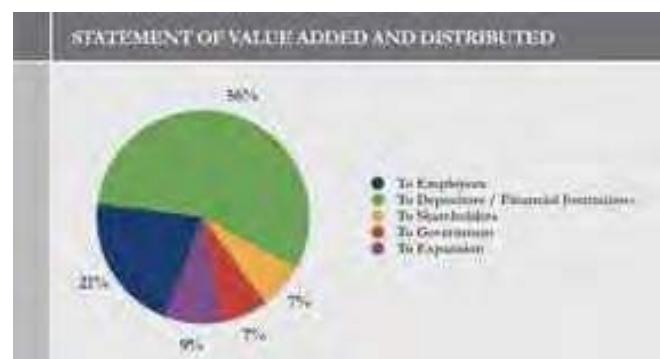
Profit / return on financing, investments and placements-net of provision
 Fee, commission and brokerage income
 Dividend income
 Income from dealing in foreign currencies
 (Loss) / gain on sale of securities and other income
 Adminstrative and other expenses

	2008 Rupees in '000	%	2007 Rupees in '000	%
Profit / return on financing, investments and placements-net of provision	6,085,893	111	4,137,856	88
Fee, commission and brokerage income	431,725	8	321,685	7
Dividend income	243,585	4	104,345	2
Income from dealing in foreign currencies	304,692	6	392,319	8
(Loss) / gain on sale of securities and other income	(272,094)	(5)	529,544	11
	6,793,801		5,485,749	
Adminstrative and other expenses	(1,313,313)	(24)	(787,819)	(16)
	5,480,488	100	4,697,930	100

Value allocated as follows:

to Depositors/ financial institutions
 Return on deposits and other dues expensed
 to Employee
 Salaries, allowances & other benefits
 to Shareholders
 Bonus shares
 to Government
 Income tax
 to Expansion
 Depreciation & amortisation
 Retained in business

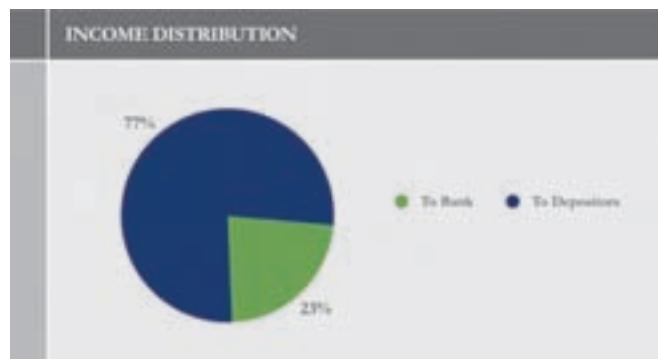
3,088,334	56	2,451,968	52
1,167,839	21	838,072	18
390,085	7	755,979	16
371,124	7	305,687	7
232,004	5	138,702	3
231,102	4	207,522	4
463,106	9	346,224	7
5,480,488	100	4,697,930	100



Allocation of income and expenses to depositors' pool

For the year ended December 31, 2008

	2008		2007	
	To depositor	To Bank	To depositor	To Bank
————— Rupees in '000 —————				
Income from financings activities	3,812,813	931,709	2,758,695	510,402
Income from investments (other than equity investment)	737,769	179,625	317,379	58,718
Income from placements with financial institutions	956,976	232,996	770,052	142,467
Other income	98,942	24,089	221,646	41,006
Gross income	5,606,500	1,368,419	4,067,772	752,593
Less:				
Administrative expenses directly attributable to depositors / banks	(186,797)	(2,439,809)	(155,490)	(1,609,101)
Management fee charged by the Bank	(2,331,369)	2,331,369	(1,460,314)	1,460,314
Profit distributed to other borrowings	(191,278)	-	(237,748)	-
	(2,709,444)	(108,440)	(1,853,552)	(148,787)
Add:				
Income and expenses not attributed to depositors' pool	-	932,165	-	1,112,645
Income not allocated to depositors	-	(1,199,833)	-	(447,263)
Expenses not charged to depositors				
Income distributed to depositors	2,897,056	992,311	2,214,220	1,269,188



Shariah Advisor's Report



Shariah Advisor's Report

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

By the Grace of Allah, the year under review was the seventh 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 of Meezan Bank Limited and its Executive Committee held two meetings to review various products, concepts, transactions and processes and their Shariah compliance, referred to them by the Shariah Advisor.

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

- 1. Research & New Product Development:** During the year the product development & research wing of the Bank launched Meezan Tijarah, a financing product for meeting the working capital requirements of corporate/commercial/SME customers. A product based on the concept of Running Musharakah as a Shariah-compliant alternative for Running Finance (Overdraft facility) was also successfully developed and is now available for the Bank's corporate customers. The Bank's research team is working on the development of Islamic Micro-financing products to cater to the need of lower income segment as well as on introducing Hajj and Umrah financing for consumers. Active research is also being done to develop an alternative Islamic Benchmark rate to be used in place of KIBOR.
- 2. Investment Banking:** During the year, Meezan Bank participated in various Shariah-compliant structured finance transactions such as Sukuk of Eden Builders Limited, Arzoo Textile Mills Limited and Sui Southern Company Limited. Issuance of such Shariah-compliant instruments will Insha'Allah assist in the growth and development of Islamic capital market in Pakistan.
- 3. Training & Development:** Several specialized functional-level training sessions were held across the country. A total of approximately 60 Islamic banking training sessions were held in 2008 in which around 1800 employees participated. The sessions included Orientations, Islamic Banking Certification course and specialized workshops that aimed at enhancing the level of understanding of Islamic banking concepts and products. Due to a continuous increase in the number of branches and employees, the focus on training and development needs to be carried on a continuous basis.
- 4. Shariah Advisory:** The Bank also provides Product Development and Capital Markets Shariah Advisory services to different Financial Institutions interested in offering Islamic banking products & services around the world. The main objective of Meezan Bank's Advisory function is to help institutions develop Islamic Financial Products by sharing its experience, research and success stories. During the year, Meezan Bank also advised Al-Meezan Investment Management (AMIM), National Fullerton Asset Management Company (NAFA) and KASB Funds Limited for the management and launch of various types of Shariah-compliant Mutual Funds. Being the Shariah Advisor of AMIM, Meezan Bank also provided Shariah Advisory Services to KMI - 30 Index (KSE Meezan Islamic Index), Pakistan's first ever Shariah-compliant Islamic Index. During the year, the Bank also entered into 'Shariah Technical Services and Support' agreements with various Financial Institutions including AKD Investment Management Limited and Pak Oman Asset Management Limited for the launch of Islamic mutual funds.

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 45% of the total financing portfolio as compared to 55% last year, while the percentage of Ijarah, Diminishing Musharakah and Istisna have moved to around 23%, 14.5% & 4% respectively. These ratios suggest that the percentage of Murabaha in the overall financing figure has slightly decreased, resulting in the increased use of other modes of financing, which is a healthy sign.

The Bank's total financing portfolio reached Rs. 40.866 billion as at December 31, 2008. During the year under review the Bank used Shariah-compliant standard agreements.

It is a matter of concern that due to excess liquidity, the Bank has used local currency Commodity Murabaha transactions amounting to Rs. 18.108 billion as compared to last year's figure of Rs. 8.850 billion i.e. an increase of around 104%, while the remaining excess liquidity was used in inter-bank Musharakah, in the absence of short-term placement avenues. The Bank, in consultation with other players in the market, should try to explore other opportunities for liquidity management.

Review of Liabilities

On the liability side, the Bank offered different Shariah-compliant deposit products based on the mode of Mudarabah. Total deposits of the Bank reached Rs. 70.234 billion as at December 31, 2008. During the year, the Bank accepted deposits on the modes of Musharakah for short-term liquidity management from inter-bank market and corporate customers.

Shariah Audit

To ensure strict Shariah Compliance in implementation of Islamic banking products, the Bank's Product Development & Shariah Compliance department actively monitored various activities of the Bank throughout the year. To ensure Shariah-compliance, the Bank is also involved in development of various industry-specific process flows for Murabaha, Diminishing Musharakah, Istisna, Tijarah and other related financing transactions. For SME customers, during 2008, over 350 customer specific transaction process flows were reviewed and developed; for Corporate customers, around 150 transactional process flows were reviewed and revised.

Overall Meezan Bank Position for Direct/Indirect Payments in Murabaha

Total Payment

Direct %	Indirect %
38%	62%

Overall Ranking for Regions

	Direct Payment %	Indirect Payment %
North	56%	44%
South	46%	54%
Central	30%	70%

Overall Corporate

Direct %	Indirect %
28%	72%

Region Wise (Corporate)

	Direct Payment %	Indirect Payment %
North	27%	73%
South	22%	78%
Central	39%	61%

Overall SME

Direct %	Indirect %
70%	30%

Region Wise (SME/Commercial)

	Direct Payment %	Indirect Payment %
North	70%	30%
South	44%	56%
Central	27%	73%

Under the direction of Shariah Supervisory Board / Shariah Advisor, to decrease the ratio of indirect payments or increase direct purchases, it is a matter of appreciation that the Bank has increased the overall percentage of direct payments and the percentage of physical inspections in SME and Corporate cases of Murabaha. An improvement was recorded over last year with around 70% direct payments in SME Murabaha cases and upto 29% direct payments in Corporate Murabaha cases. Moreover, in Istisna and Tijarah transactions, physical inspection is done in 100% of the cases.

In addition to the above compliance measures, this year Shariah audit and review of 39 branches was conducted in order to get first hand knowledge of activities being carried out at these branches. The audited branches had approximately 54% share of total branch financing and an approximate 48% share of total deposits of the Bank.

During the year, Shariah Audit was carried out on random basis in various branches to check the overall Shariah-compliance of the Bank's operation and alignment with the guidelines given by Shariah Advisor and Shariah Supervisory Board. In the audit process, the following areas were checked:

- Standard agreements for Murabaha, Ijarah, Diminishing Musharakah and Bai Salam.
- Declarations, description of assets, relevant purchases invoices, sequence and order of documents and the time difference between purchases and declaration in Murabaha.
- Murabaha Monitoring Sheets & Delayed Declaration Report
- Purchase deeds, treatment of ownership-related cost and recovery of rentals in Ijarah transactions.
- Ownership ratio in Diminishing Musharakah for Housing and issuance of timely unit-sale receipts.
- Investment made in the stock market with reference to the stock screening criteria.
- Import Finance transactions and related documentation.
- Other related documents and procedures followed by different functional areas.

Based on the Shariah review the Shariah Advisor has directed the Bank's management to provide for charity income amounting to Rs. 0.378 million earned on certain Murabaha transactions, as the sale of such Murabaha assets were made without identification of any assets at the time of sale.

Murabaha Monitoring Sheet

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

Charity

During the year an amount of Rs. 36.288 million was transferred to the Charity Account and an amount of Rs. 2.13 million was disbursed after the approval of the Shariah Advisor. Details of Charity are available in note # 18.4

Recommendation

Based on the review of various transactions we recommend that:

- The significant growth of the Bank augments the importance of employees' training on Islamic banking products and services offered by the Bank. More focus should be shifted towards proper training of staff.
- We should focus more on development and execution of customer awareness programs in the form of seminars and workshops regarding Islamic banking and its products.
- The Corporate, Commercial and SME Banking departments should establish a system for proper following of the recommended process flow; physical checking and verification of goods in Murabaha & Ijarah transactions and increase the share of direct payments to suppliers in overall Murabaha financing, specially for corporate customers.

- We should also explore ways to increase Musharakah & Mudarabah based transactions with our customers.
- We should focus on launching deposit schemes that could give higher returns and also focus on implementing Islamic Micro financing schemes.

Conclusion

As per the charter of the Bank, it is mandatory for the management and employees of the Bank to ensure application of Shariah principles and guidelines issued by the Shariah Supervisory Board and Shariah Advisor and to ensure Shariah-compliance in all activities of the bank.

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

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

And Allah knows the best.



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

Dated: February 13, 2009

خلاصہ کلام

بینک کے چارٹر کے تحت تمام انتظامیہ اور ملازمین کیلئے ضروری ہے کہ وہ شریعہ پر واکری بورڈ اور شریعیاً و ائمہ کی طرف سے جاری کردہ بینک کے تمام معاملات سے متعلق ہدایات پر عمل درآمد کیتی جائیں۔

معاملات کے تجھیں جائزوں کی نیاد پر ہماری رائے میں روائیں میں بینک کی طرف سے کئے گئے عقود اسلامی شریعہ کے ان اصولوں اور ہدایات کے مطابق ہیں جو میرزاں بینک کے شریعہ پر واکری بورڈ اور شریعیاً و ائمہ کی طرف سے دی گئی ہیں۔

اللہ تعالیٰ سے دعا ہے کہ وہ ہماری رہنمائی ان را ہوں کی طرف کرے جو اسکی رضا کا باعث ہوں، ہمیں دنیا اور آخرت میں کامیابیوں سے نوازے اور ہماری غلطیوں اور خطاؤں سے درگذر کرے۔

واللہ تعالیٰ اعلم با صواب

ڈاکٹر محمد عمران عثمانی

ممبر شریعہ پر واکری بورڈ و شریعیاً و ائمہ

13 فروری 2009ء

مذکورہ بالا اقدامات کے ساتھ ساتھ اس سال 2008ء میں میزان بینک کی 39 برآنجوں کا شریعہ آٹھ کیا گیا تاکہ ان برآنجوں میں ہونے والے عقود کی براہ راست جانچ پڑھاتا ہو سکے۔ ذکر کردہ برآنجوں بینک کی مجموعی تمویل کے 54%، اور بینک کے مجموعی ڈیپاٹ کے 48% پر مشتمل ہیں۔

شریعہ ڈیپاٹمنٹ کی منتخب کردہ برآنجوں کے مذکورہ بالا آٹھ کے لیے عقود کا انتخاب بغیر پیشگوی اطلاع کیا گیا۔ آٹھ کے دوران درج ذیل امور کو بطور خاص منظر رکھا گیا:

- مراہجہ، اجارہ، ڈیمینیشنگ مشاہر کے اور عجیب مسلم کے بنیادی اگریمیٹس
- ڈیکلریشن، اناشوں کی تفصیلات، متعلقہ خریداری کی رسیدیں، دستاویزات کے نفاذ کی ترتیب، مراہجہ میں بینک کی طرف سے کی جانے والی خریداری اور گاہک کی طرف سے کی جانے والی خریداری میں مدت کا فرق لٹتا ہے۔
- مراہجہ مونیٹنگ شیش اور تاخیر سے موصول ہونے والی ڈکلریشن
- پرچیز فوڈ (رسید خریداری) ہلکیت سے متعلق اخراجات کی تفصیلات، عقود اجارہ میں اجر میں وصول کرنے کا طریقہ کار۔
- مشاہر کی تناقص کی بنیاد پر کئی گئی تمویل عقاری (House Financing) میں ہلکیت کا تناسب، وقت پر خریداری کی رسیدوں کا اجراء۔
- اشکاں اپنی میں ہدایات کے مطابق کی گئی سرمایہ کاری۔
- امپورٹ فائنس ٹرانزشنز اور متعلقہ دستاویزات۔
- دیگر متعلقہ دستاویزات اور طریقہ افعال۔

شریعہ جائزہ کی بنیاد پر شریعہ ایڈ وائزر نے بینک کی انتظامیہ کی ہدایت کی ہے کہ وہ عقود مراہجہ کی بناء پر 0.378 ملین روپے چیری ٹی کرنے کیلئے مبیا کرے اسلئے کہ ان عقود مراہجہ میں اناشوں کو تین کے بغیر بھیجا گیا تھا جملی بناء پر عقدِ بیع فاسد ہو گیا تھا۔

مراہجہ مونیٹرینگ شیٹ
عقود مراہجہ کی مسلسل گرفتاری کیلئے ایک کمپیوٹر ایڈ نظام قائم کیا گیا ہے جسکے مطابق وہ تمام برآنجوں جو مراہجہ کی بنیاد پر تمویل فراہم کرتی ہیں، اگلے لئے یہ ضروری ہے کہ وہ ہر مراہجہ سے متعلق بنیادی معلومات بوفت عقدِ مراہجہ کی پیوٹ کے اس نظام میں ذاتی رہیں اور ہر دو ہفتے بعد وہ شریعہ ڈیپاٹمنٹ کو اسال کی جائے تاکہ تمام عقود مراہجہ کی شرافت کے نفاذ کی صحت یا عدم صحبت کا برداشت فیصلہ کیا جاسکے۔

چیری ٹی
رووال سال میں کل 36.288 ملین روپے چیری ٹی اکاؤنٹ میں منتقل کئے گئے۔ کل 2.13 ملین روپوں کی مقدار شریعہ ایڈ وائزر سے منظوری کے بعد مختلف رفاهی اداروں کو دی گئی۔ چیری ٹی سے متعلق تفصیلات نوٹ نمبر 18.4 میں مذکور ہیں۔

تجاویز

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

- بینک کی روزافروں معتقد ہے ترقی کی بناء پر اسلامی بینکاری کی پروڈکٹس اور بینک کی طرف سے پیش کردہ خدمات کے بارے میں ملازمین کا معیار معلومات مزید بڑھانا اور انکی مزید تربیت کا انتظام کرنا نہایت اہم ہے، اور اس جانب مزید توجہ مرکوز کیا جانا ضروری ہے۔
- اسلامی بینکاری اور اسیں راجح پروڈکٹس کے بارے میں کشمکش کے لئے بھی سیمیناروں اور ورک شاپوں کی شکل میں پروگرام منعقد کرنے چاہئیں۔
- کارپوریٹ، کمرش اور ایس ایم ای کے شعبوں کو چاہئے کہ ایک ایسا نظام وضع کریں جسکے تحت شریعہ ایڈ وائزر کی طرف سے ہدایت کردہ عقود کے طریقہ کار (Process flows) کی مطابقت، شخصی معاینہ اور مراہجہ اور اجارہ کے عقود میں اناشوں کی عملی جانچ پڑھاتا کی جاسکے۔ نیز مراہجہ کی بنیاد پر کی جانے والی تمویل میں (خصوصاً کارپوریٹ کشمکش کیلئے) سپلائز کوڈ ایڑکش اداگی کا تناسب مزید بڑھایا جائے۔
- ہمیں ایسے طریقے بھی تلاش کرنے چاہئیں جنکے ذریعے کشمکش کے ساتھ مشاہر کے اور مشارک کی بنیاد پر کئے جانے والے عقود کی تعداد بڑھائی جاسکے۔
- اس بات پر توجہ بھی اہم ہے کہ ایسی ڈیپاٹ اسکیم برائی جائیں جنکے ذریعے ڈیپاٹرزا اور خصوصاً آمدی والے کھاتے داروں کو زیادہ منافع دیا جاسکے، نیز اسلامی مائیکر و فائینانس نگنگ اسکیم پر بھی مزید توجہ ضروری ہے۔

یہ بات قابل تشویش ہے کہ زائد نقد (Excess Liquidity) کی بناء پر بینک نے لوگ کرنی کمودیٹی مراہجہ کی میں 108.18 ارب روپے کے عقود کئے ہیں۔ سابقہ سال ان عقود کی مقدار 8.850 ارب روپے تھی۔ بالفاظ دیگر، کمودیٹی مراہجہ کے عقود کی میں اس سال سابقہ سال کی نسبت 104% مزید رقم لگائی گئی۔ دیگر موقع نہ ہونے کی بناء پر بقیہ زائد نقد (Excess Liquidity) اخیر بینک مشارکہ میں استعمال کئے گئے۔ ضرورت اس امر کی ہے کہ بینک مارکیٹ میں موجود دیگر اداروں کی مشاورت سے نقد کی میختہ کیلئے نئے موقع تلاش کرے۔

ذمہ دار یوں کا جائزہ بینک نے اپنی لاٹیٹیڈ سائیڈ پر مختلف مصاربہ کی بنیاد پر کمپلیکٹ پروڈکٹس وضع کی ہیں۔ برطابن 31 دسمبر 2008ء بینک کا مجموعی دیپاٹسٹ پروڈکٹس 70.233 ارب روپے تک پہنچ چکا ہے۔ اس سال بینک نے مشارکہ کی بنیاد پر قلیل المیعاد دیپاٹسٹ دیگر یونیکوں اور کارپوریٹ گاہوں سے صول کئے ہیں۔

شریعہ آڈٹ
اسلامی بینکاری کی پروڈکٹس کے عملی نفاذ کے دوران عقود کی باقاعدہ شرعی درستگی اور گرفانی کیلئے بینک کے پروڈکٹ ڈیپاٹسٹ اور شرعی کمپلیکٹ اور کمپلیکٹ بینک کے مختلف اعمال کی باقاعدہ عملی طور پر پورے سال گرفانی کرتا رہا ہے۔ عقود کی شرعی مطابقت کیلئے بینک نے مختلف صنعتوں کی تمویل (Financing) کیلئے خصوصی طور پر الگ الگ طریقہ کار (Process flows) معین کئے ہیں۔ چھوٹے اور درمیانے کاروباری اداروں (SME) کے لئے گذشتہ سال کل ۲۵۰ مخصوص طریقہ کار (Process flows) کا جائزہ لیا گیا اور ان میں تائیم کی گئیں۔ یہ بات قابل ستائش ہے کہ شرعی بورڈ/شریعہ اڈا نزدیکی ہدایات کے مطابق بینک نے مراہجہ کے SME اور Corporate کمپلیکٹ سپلائرز کوڈ اسٹریکٹ ادائیگی شخصی معائض (Physical inspection) کے مجموعی تناسب میں بھی اضافہ کیا ہے، جتنا جس سابقہ سال کے مقابلہ میں اس سال SME کمپلیکٹ سپلائرز کے مراہجہ میں مت (70%) فحصد سے زائد ایئر کیٹ ادائیگی ہوئی، جبکہ کارپوریٹ کمپلیکٹ کے ساتھ کوئی جانے والے مراہجہ میں ڈائریکٹ ادائیگی کا تناسب 29% رہا۔ مزید آس اسٹریکٹ اور تجارت کے عقود میں 100% موقع میں شخصی معائض (Physical inspection) کیا گیا۔

میزان بینک کے تینوں خطوں (Regions) کی برادرست یا بالواسطہ ادائیگی کے اعداد و شمار

کل ادائیگیاں	
بالواسطہ	برادرست
62%	38%

علاقوں کی مجموعی ریتائگ		
بالواسطہ ادائیگی	برادرست ادائیگی	خطے
44%	56%	شمالی خطہ
54%	46%	جنوبی خطہ
70%	30%	وسطی خطہ

کل ادائیگیاں	
بالواسطہ	برادرست
72%	28%

کارپوریٹ کمپلیکٹ		
بالواسطہ ادائیگی	برادرست ادائیگی	خطے
61%	39%	وسطی خطہ
73%	27%	شمالی خطہ
78%	22%	جنوبی خطہ

کل ادائیگیاں	
بالواسطہ	برادرست
30%	70%

المی ایم ای/کمرش		
بالواسطہ ادائیگی	برادرست ادائیگی	خطے
30%	70%	شمالی خطہ
56%	44%	جنوبی خطہ
73%	27%	وسطی خطہ

شریعہ ایڈوائزر رپورٹ

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

امروز سال میزان بیک لمبند کا اسلامی تجارتی بینکنگ کا ساتواں سال ہے۔ اس سال بیک نے شریعہ ایڈ واائزر کی متفقہ کے بعد کئی میں اور متعدد الاقسام کی پروڈکٹس نہ صرف تیار کیں بلکہ انہیں نافذ بھی کیا۔ رواں سال میں شریعہ ایڈ واائزر کی طرف سے میزان بیک کی مختلف جدید پروڈکٹس، عقود طرق تمویل اور ان کے علمی اعتقاد کو پیچ کرنے کا طریقہ کار شریعہ پروڈکٹس کی پیش کیا گیا، چنانچہ اس سلسلے میں شریعہ پروڈکٹس کی دو میکٹر معملاً متفہم ہوئیں۔

۱ نئی بروڈکسٹس کی تیاری اور تحقیق

۲ انوسمٹ بینکنگ

روال سال میں میرزا بینک نے متعارف شریعہ کمپلائیٹ اسٹریکچرڈ فائینانس نگ ترازنگ کشہر میں حصہ لیا جیسا کہ ایڈن بلڈرز لمیٹڈ، آرزو ٹکنیکال مولڈیٹڈ، سوئی سدرن کمپنی لمیٹڈ کے صکوں وغیرہ۔ ان تمام شرکیہ کمپلائیٹ انسرو ہنسٹ کا اجراء اسلا مک پیپل مارکیٹ کی شونما میں انشاء اللہ دوگا۔

۳ ٹریننگ اور ڈیوپلیممنٹ

مخفف مخصوص ٹریننگ پوگراہم ٹیکنولوگی خلائق (Regions) (شمالی، جنوبی اور مرکزی) کے علاقوں میں معنقدمے کئے گئے۔ ایک محتاط اندازے کے مطابق 2008ء میں اسلام بینائیک سے متعلق کل ساٹھ (60) مجلس متعقدی کیسیں جن میں کم ویش 1800 مالازمین نے حصہ لیا۔ یہ مجلس اور یونیورسٹی (Orientation)، اسلام بینائیک سری ٹریننگ کو رس اور مخصوص و رک شاپیں پر مشتمل تھیں جنکا غیر اسلامی معتقد اسلامی بینائیک کے تصورات اور اس میں راجح مختف عقود کے بارے میں معلومات کو مزید بڑھانا تھا۔ یہ بات بہر حال مذہب نظر ہے کہ برائج اور مالازمین کی تعداد میں روزافروں اضافہ کی بناء پر ٹریننگ اور ڈیل پیمنٹ میں اچھے مرکوز رکھنا ضروری ہے۔

۳ شریعه ایڈوایز ری

میران بینک کے مختلف ایسے تمویلی اداروں کو شریعہ ایڈواائزری کی خدمات بھی فراہم کر رہا ہے جو اسلامک بینکاری کی پروڈکٹس اور سرویس اختیار کرنا چاہتے ہیں۔ میران بینک کے ایڈواائزری فونشن کامپیوٹر مقدمہ یہ ہے کہ مختلف اداروں کو اسلامی تمویلی پروڈکٹس تیار کرنے میں مددی جائے اور انہی حقیقتوں، تجربات اور کامیابیوں میں دوسروں کو بھی شریک کیا جائے۔ رواں سال میران بینک نے الگ ان اనوشنٹ پیچھے کیتیں میڈیم (AMIM)، پیش قرار ایسیٹ پیچھے کیتیں میڈیم (NAFA) اور KASB اسلام فنڈ زمکن پیچھے کیتیں مختلف انواع کے شریعہ کمپلائیٹ

اٹاؤں کا حائزہ

موجودہ سال میں بیان بینک نے ابتدائی طور پر مراجعہ، اجارہ، ذمہ دینیتگ مشارک، استھناع، تجارت، اسلام کی بنیاد پر تو میلی سہولیات فراہم کی ہیں۔
میران بینک کے تمام تو میلی پورٹ فویلر (پشوں اسلام ایکسپورٹ ریخانیا نس ایکسیم) کا 45% اتفاق دی مراجعہ پر مشتمل ہے، جبکہ یہ پورٹ فویلر ساچے سال 55% تھا۔ دوسرا طرف اجارہ کا پورٹ فویلر 23، ذمہ دینیتگ مشارک کا 14.5% اور استھناع کا پورٹ فویلر 4% ہو چکا ہے۔ ان اعداد و شمار سے یہ واضح ہوتا ہے کہ جمیع تو میلی پورٹ فویلر میں مراجحی مقدار کچھ کم ہوئی ہے، تجھے دیگر طرق تمویل میں اضافہ ہوا ہے، یا ایک شبث بیش قدمی ہے۔ بینک کا جمیع تو میلی پورٹ فویلر (برطابن 31 دسمبر، 2008ء) 40.866 ارب تک بیش چکا ہے۔ زیر بحث جائزہ میں بینک نے شرکت اسٹینڈرڈ ایکسپریشنز استعمال کئے۔

Statement of Compliance with the Code of Corporate Governance

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

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

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board has eight non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NIFI 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, 2008.
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, and that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



Irfan Siddiqui
President & CEO

February 20, 2009



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Chartered Accountants
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Karachi 75530 Pakistan

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Meezan Bank Limited to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 37 of the Karachi Stock Exchange where the Bank is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2008.

Date: 20 FEB 2009

Karachi

Riaz H. S.
KPMG Taseer Hadi & Co.
Chartered Accountants

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

Statement of Internal Controls

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

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

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

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

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

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



Irfan Siddiqui
President and Chief Executive



Ariful Islam
Chief Operating Officer

Notice of Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of the Members of Meezan Bank Limited will be held Insha-Allah on Monday, March 30, 2009 at 11:00 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

Ordinary Business

1. To confirm the minutes of the 12th Annual General Meeting held on March 27, 2008.
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, 2008 together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors of the Bank for the year ending December 31, 2009 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 if thought fit, to pass the following Resolution as an Ordinary Resolution:

"Resolved that the capitalization of a sum of Rs. 390,085,350 out of free reserves of the Bank as of June 30, 2008 for the purpose of issuance of 39,008,535 ordinary shares of Rs. 10/- each as fully paid interim bonus shares be and is hereby approved."

5. To consider and, if thought fit, to increase the authorised capital of the Bank to Rs. 11,000,000,000 by creation of 300,000,000 new ordinary shares of Rs. 10/- each and in that connection to pass the following resolution as special resolution:

"Resolved that the authorised share capital of the bank be and is hereby increased to Rs. 11,000,000,000 by creation of 300,000,000 ordinary shares of Rs. 10/- each, such new shares to rank pari passu in all respects with the existing ordinary shares in the capital of the Bank, and that accordingly clause V of the Memorandum of Association of the Bank be and is hereby substituted by the following new clause V:

The share capital of the company is Rs. 11,000,000,000 (Rupees eleven billion only) divided into 1,100,000,000 (One billion one hundred million) ordinary shares of Rs 10/- each (Rupees ten each) with power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes."

6. 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, 2008 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, 2008, be and is hereby approved."

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

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

By Order of the Board



Shabbir Hamza Khandwala
Company Secretary

Karachi
March 7, 2009

Notes:

- i) The Members' Register will remain closed from March 21, 2009 to March 30, 2009 (both days inclusive) to determine the names of members entitled 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 along with the participant ID numbers and sub account numbers with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purposes.

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

This statement sets out the material facts concerning the resolutions contained in item (4), (5) & (6) of the Notice pertaining to the special businesses to be transacted at the Annual General Meeting of the Bank to be held on March 30, 2009.

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. 5 billion by December 31, 2008, the Board of Directors of the Bank in its meeting held on October 17, 2008 had issued an interim bonus shares in the ratio of 86 ordinary shares of every 100 ordinary shares of Rs. 10/- each held by transferring a sum of Rs. 390,085,350 from free reserve of the Bank.

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

II) Increase in Authorised Capital of the Bank

In order to meet the requirements of the State Bank of Pakistan to increase the paid up capital of the commercial banks to Rs. 10 billion by December 31, 2010, the condition of the Memorandum of Association of the Bank are required to be altered so as to increase the authorised capital of the Bank from Rs. 8 billion divided in 800 million ordinary shares of Rs. 10/- each to Rs. 11 billion divided into 1.1 billion ordinary shares of Rs. 10/- each. Under section 92 (1) of the Companies Ordinance, 1984, the Bank may alter the condition of the memorandum so as to interalia increase its share capital by such amount as it thinks expedient. Under section 92 (3) of the Companies Ordinance, 1984, the powers conferred by sub-section (1) are exercisable by the Bank in a General Meeting.

The Directors of the Bank have no interest in the special business and/or special resolution, save to the extent of their shareholding of the Bank.

III) 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.

IV) Status of approval of investment in associated companies:

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

- a) 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 the 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.

- b) Against the approval accorded by the shareholders of the Bank in the Extraordinary General Meeting held on December 27, 2007 for investments of Rs. 250 million in the seed capital of Al-Meezan Investment's Capital Protected Fund, the Bank has invested Rs. 250 million at the time of launching of the above open-end fund.

The Emerald Pages

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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 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended 31 December 2008, in which are incorporated the unaudited certified returns from the branches except for 11 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of financing covered more than 60% of the total financing of the Bank, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984); and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at the 31 December 2008, and its true balance of profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 20 FEB 2009

Karachi

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, 2008



	Note	2008	2007
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	5,763,710	5,644,028
Balances with other banks	8	1,544,974	3,729,549
Due from financial institutions	9	18,108,000	8,850,000
Investments	10	14,286,949	10,535,186
Financings	11	39,768,481	34,576,339
Operating fixed assets	12	1,880,515	1,032,963
Other assets	13	4,123,441	2,810,494
		85,276,070	67,178,559
LIABILITIES			
Bills payable	14	1,057,017	1,192,160
Due to financial institutions	15	4,008,496	2,415,606
Deposits and other accounts	16	70,233,875	54,582,353
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities	17	453,038	430,377
Other liabilities	18	3,548,666	2,851,407
		79,301,092	61,471,903
NET ASSETS		5,974,978	5,706,656
REPRESENTED BY			
Share capital	19	4,925,961	3,779,897
Reserves	20	845,022	720,785
Unappropriated profit		570,114	1,219,228
		6,341,097	5,719,910
Deficit on revaluation of investments	21	(366,119)	(13,254)
		5,974,978	5,706,656
CONTINGENCIES AND COMMITMENTS	22		

The investments in equity securities held as 'Available for Sale' are valued at prices quoted on the stock exchange as of December 31, 2008 and the resulting decline in market value below cost is reported in the 'Deficit on revaluation of available for sale securities'. Had the impairment loss been charged to profit and loss account, the Deficit on revaluation of Available for Sale securities would have been lower by Rs. 357.239 million with consequential effect on 'un-appropriated profit'. (See note 3.1.2)

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

Mohammed
Azzaroog Rajab
Director

Profit and Loss Account

For the year ended December 31, 2008



	Note	2008 Rupees in '000	2007
Profit / return earned on financings, investments and placements	23	6,803,213	4,573,752
Return on deposits and other dues expensed	24	3,088,334	2,451,968
Net spread earned		3,714,879	2,121,784
Provision against non-performing financings (net)	11.7	428,436	435,018
Provision for diminution in value of investments and impairment	10.10	288,884	878
Bad debts written off directly		-	-
Net spread after provisions		717,320	435,896
OTHER INCOME		2,997,559	1,685,888
Fee, commission and brokerage income		431,725	321,685
Dividend income		243,585	104,345
Income from dealing in foreign currencies		304,692	392,319
Capital gain / (loss) on sale of investments - net	25	47,001	533,093
Unrealised loss on held for trading investments	10.11	(23,014)	(31,453)
Impairment on reclassification of securities from held for trading to available for sale securities	10.4.2	(362,751)	-
Other income	26	66,670	27,904
Total other income		707,908	1,347,893
OTHER EXPENSES		3,705,467	3,053,781
Administrative expenses	27	2,626,606	1,755,761
Other provisions / write offs	13.5 & 18.3	86,263	5,948
Other charges	28	287	2,884
Total other expenses		2,713,156	1,764,593
Extraordinary / unusual items		992,311	1,269,188
PROFIT BEFORE TAXATION		992,311	1,269,188
Taxation - Current	29	314,790	271,452
- Prior years		-	-
- Deferred		56,334	34,235
PROFIT AFTER TAXATION		371,124	305,687
Unappropriated profit brought forward		621,187	963,501
Profit before appropriations		1,219,228	448,427
		1,840,415	1,411,928
		(Rupees)	
Basic and diluted earnings per share	30	1.26	1.96
		Restated	

The impairment loss on equity securities held as 'Available for Sale' has been reported in Deficit on revaluation of Available for Sale securities. In case the impairment loss was charged to Profit and Loss Account, profit for the year would have been lower by Rs. 305.638 million and earnings per share would have been lower by Rs. 0.62. (See note 3.1.2)

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

Mohammed
Azzaroog Rajab
Director

Cash Flow Statement

For the year ended December 31, 2008



	Note	2008	2007		
		Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before taxation					
Less: Dividend income		992,311	1,269,188		
		(243,585)	(104,345)		
		748,726	1,164,843		
Adjustments for non-cash charges					
Depreciation		210,095	124,420		
Amortisation		21,909	14,282		
Provision against non-performing financings (net)		428,436	435,018		
Provision for diminution in the value of investments					
- on associates - listed		287,046	-		
- on associates - unlisted		1,838	878		
Loss on reclassification of securities from held for trading to available for sale securities		362,751	-		
Gain on sale of fixed assets		(12,744)	(6,173)		
Gain on securities with deferred purchase commitments		(23,014)	-		
Unrealised loss on held for trading investments		23,014	31,453		
		1,299,331	599,878		
		2,048,057	1,764,721		
(Increase) / decrease in operating assets					
Due from financial institutions		(9,258,000)	(5,150,000)		
Held for trading securities		(51,142)	(121,122)		
Financings		(5,620,578)	(7,980,341)		
Other assets		(1,289,889)	(761,301)		
		(16,219,609)	(14,012,764)		
Increase / (decrease) in operating liabilities					
Bills payable		(135,143)	628,932		
Due to financial institutions		1,592,890	(1,869,606)		
Deposits and other accounts		15,651,522	20,132,912		
Other liabilities		386,904	843,944		
		17,496,173	19,736,182		
Income tax paid		3,324,621	7,488,139		
Net cash flow from operating activities		(4,431)	(23,139)		
		3,320,190	7,465,000		
CASH FLOW FROM INVESTING ACTIVITIES					
Net investments in					
- held to maturity securities		(114,129)	(300,652)		
- available for sale securities		(4,196,312)	(6,313,829)		
- listed associated undertakings		(451,367)	(973,726)		
- unlisted associated undertakings		-	(3,000)		
Dividends received		243,541	101,745		
Investments in operating fixed assets		(1,096,419)	(643,739)		
Sale proceeds of property and equipment disposed off		29,607	9,509		
Net cash flow from investing activities		(5,585,079)	(8,123,692)		
CASH FLOW FROM FINANCING ACTIVITIES					
Dividend paid		(4)	-		
Net (decrease) in cash and cash equivalents		(2,264,893)	(658,692)		
Cash and cash equivalents as at January 1	31	9,373,577	10,032,269		
Cash and cash equivalents as at December 31	31	7,108,684	9,373,577		

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

Mohammed
Azzaroog Rajab
Director

Statement of Changes in Equity

For the year ended December 31, 2008



	Capital reserves		Revenue reserves	Unappropriated General reserve	Total profit
Share capital	Statutory reserve	Reserve for issue of bonus shares			
Rupees in '000					
Balance as at January 01, 2007	3,779,897	461,319	-	66,766	448,427
Profit after taxation for the year	-	-	-	-	963,501
Transfer to statutory reserve	-	192,700	-	-	(192,700)
Balance as at December 31, 2007	3,779,897	654,019	-	66,766	1,219,228
Profit after taxation for the year	-	-	-	-	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

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

Mohammed
Azzaroog Rajab
Director

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Bank was operating through one hundred sixty six branches (including thirty five sub branches) as at December 31, 2008 (2007: one hundred branches). Its registered office is situated at 3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi.

2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of Meezan Bank Limited. The consolidated financial statements of the group are being issued separately. The Bank provides financing mainly through Murabaha, Ijarah, Musharakah, Diminishing Musharakah, Istisna and Export Refinance under Islamic Export Refinance Scheme. Under Murabaha the goods are purchased and are then sold to the customers on credit. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financings is 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 01, 2009:

- **Revised IAS 1** - Presentation of Financial Statements (effective for annual periods beginning on or after January 01, 2009) introduces the term total comprehensive income, which represents changes in equity during the year other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effective after discussions with the regulators.
- **Revised IAS 23** - Borrowing Costs (effective for annual periods beginning on or after January 01, 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Bank's financial statements.
- **IAS 29** - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28, 2008). The Bank does not have any operations in Hyperinflationary Economies and therefore, the application of the standard is not likely to have an effect on the Bank's financial statements.
- **Amendments to IAS 32** - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after January 01, 2009) Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Bank's financial statements.

- **Amendment to IFRS 2** - Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 01, 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Bank's financial statements.
- **Revised IFRS 3** - Business Combinations (applicable for annual periods beginning on or after July 01, 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 01, 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 an effect on the Bank's financial statements.
- **IFRS 7** - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The standard would be applied when IAS 39 - Financial Instruments - Recognition and Measurement becomes applicable for Banks and would require significant increase in disclosure.
- **IFRS 8** - Operating Segments (effective for annual periods beginning on or after January 01, 2009) introduces the "Management Approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank's "Chief Operating Decision Maker" in order to assess each segment's performance and to allocate resources to them. Currently the Bank presents segment information in respect of its business and geographical segments. This standard will have no effect on the Bank's reported total profit or loss or equity.
- **IFRIC 13** - Customer Loyalty Programmes (effective for annual periods beginning on or after July 01, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an 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 01, 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 16** - Hedge of Net Investment in a Foreign Operation. (effective for annual periods beginning on or after October 01, 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation, an accounting policy choice, to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Bank's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2009 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, 2008



- **IAS 27 - 'Consolidated and Separate Financial Statements'** (effective for annual periods beginning on or after January 01, 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Bank's financial statements.
- **IFRIC 17 - Distributions of Non-cash Assets to Owners** (effective for annual periods beginning on or after July 01, 2009) states that when a company 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.
- **IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations** (effective for annual periods beginning on or after July 01, 2009) specify that: if an entity is committed to a sale plan involving the loss of control of 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 paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Bank's financial statements.
- **IFAS 2 - Islamic Financial Accounting Standard - 2 "Ijarah"** (effective for annual periods beginning on or after January 01, 2009).

3. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

- 3.1** The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:
- (a) Critical judgment in classification of investments in accordance with the Bank's policy (notes 6.4.1 and 10).
 - (b) Provision for non-performing financings (notes 3.2.1 and 11.7).
 - (c) Determination of forced sale value of underlying securities of non performing financings (note 3.2.1).
 - (d) Impairment of investments in equity instruments of associates and non associate entities (note 3.1.2 & 6.4.7).
 - (e) Staff retirement benefits (notes 6.8, 6.9 and 33).
 - (f) Depreciation and amortization methods of operating fixed assets (note 6.5.3 and 12).
 - (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.1.1, 6.7, 17, 22.9 and 29).

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

- 3.1.1** During 2007, a new schedule was introduced for taxation of Banks in Pakistan and this schedule will be applicable for taxation of bank's income for the year ended December 31, 2008. According to the provisions of this schedule, provision for doubtful loans and advances falling under the category of 'Doubtful' or 'Loss' was to be allowed as a deduction in the year in which the provision is made. However, through an amendment in the Finance Act, 2008 the allowance for bad debts has been restricted to actual write-offs and in case of consumer advances provision equivalent to 3% of consumer revenue will continue to apply. The schedule is applicable for financial year ending December 31, 2008. The schedule does not contain transitory provisions with respect to Ijarah and other provisions treated differently before the applicability of the new schedule. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on the discussion to date the Bank's management is confident that such provisions will be made in the new schedule. Accordingly, the deferred tax calculations assume that such transitory rules will be made and the Bank will be able to get the benefit of the asset so recognised.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



- 3.1.2** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "floor mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan vide BSD Circular Letter No. 02 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated 13 February 2009 has provided to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognised as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment / effect for price movements shall be taken to Profit and Loss account on quarterly basis during the year ending December 31, 2009. The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39), although not applicable for banks in Pakistan is the only standard dealing with impairment of financial instruments and it requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore, recognition of impairment for "Available for Sale" equity securities through Profit and Loss account will not reflect the correct financial performance of the Bank.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have had the following effect on these financial statements:

	2008 Rs. in '000
Increase in 'impairment loss' in Profit and Loss Account	396,932
Decrease in deferred tax charge for the year	11,907
Decrease in profit for the year	305,638
Decrease in earnings per share	0.62
Decrease in deficit on revaluation of available for sale securities	396,932
Decrease in unappropriated profit	305,638

3.2 Effect of change in accounting estimate

- 3.2.1** During the year, the Bank, in line with the requirements of BSD Circular No.2 of 2009, issued by the State Bank of Pakistan, changed its method of measuring provision against non performing financings whereby 30% of forced sale value of pledged stocks and mortgaged commercial and residential properties held as collateral is considered in determining the provision. Had there been no change, the provision against non performing financing would have been higher 153.158 million and financing would have been lower 153.158 million. 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 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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



- 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.
- 4.3** The Securities and Exchange Commission of Pakistan has notified for adoption "Islamic Financial Accounting Standard 2 - Ijarah (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan which was applicable for accounting periods beginning January 01, 2008. Consequent to the issuance of IFAS-2, the State Bank of Pakistan (SBP) through its IBD circular No.1 of 2009, dated January 27, 2009, has deferred the implementation of IFAS-2 from accounting period beginning January 01, 2009. Accordingly, the requirements of this standard has not been considered in preparation of these financial statements.

5. BASIS OF MEASUREMENT

- 5.1** These financial statements have been prepared under the historical cost convention except that certain investments and commitments in respect of certain foreign exchange contracts are valued at market rates in accordance with the requirements of SBP.

5.2 Functional and Presentation Currency

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

5.3 Rounding off

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

6.2 Revenue recognition

- i) Profit on Murabaha 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. 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) 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.
- iv) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- v) 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.
- vi) 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.
- vii) Dividend income is recognised when the Bank's right to receive dividend is established.

6.3 Financings

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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

6.3.2 Provision against non-performing financings

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

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

6.4 Investments

6.4.1 The Bank classifies its investments as follows:

- Held for trading

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

- Held to maturity

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

- Available for sale

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

6.4.2 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.

6.4.3 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.

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

6.4.5 Cost of investment is determined on moving average basis.

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

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

6.4.8 The Bank reviews the carrying value of its investments in associates for impairment at each reporting date if there are any indicators of impairment. The indicators include significant decline in market value of investment, prolonged decline in market value of investment, significant changes with an adverse impact on the Bank, 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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



determining significant 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 Bank. The amount of impairment loss would be determined based on the higher of value in use and fair value less costs to sell.

6.5 Operating fixed assets

6.5.1 Tangible assets

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

6.5.2 Intangible assets

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

6.5.3 Depreciation / amortisation

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

6.5.4 Capital work-in-progress

Capital work-in-progress is stated at cost.

6.5.5 Useful lives and residual values

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

6.5.6 Maintenance and normal repairs

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

6.5.7 Impairment

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

6.6 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.

6.7 Taxation

Current

The charge for taxation is based on expected taxable income for the year at current rates of taxation, and any adjustments to tax payable in respect of previous years, after taking into consideration available tax credits, rebates, tax losses, etc.

Deferred

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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.

6.8 Staff retirement benefits

Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying eligible service of three years. The scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2008. 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.

6.9 Compensated absences

The Bank 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, 2008, on the basis of Projected Unit Credit method.

6.10 Dividend and reserves

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

6.11 Foreign currency transactions

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

6.12 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.

6.13 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the 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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



6.14 Segment reporting

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

6.14.1 Business segment

Corporate Finance

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

Trading and Sales

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

Retail Banking

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

Commercial Banking

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

Agency Services

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

Payment and Settlement

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

6.14.2 Geographical segments

The Bank operates only in Pakistan.

6.15 Impairment

The carrying amount of 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 the profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Note	2008	2007
	Rupees in '000	

7. CASH AND BALANCES WITH TREASURY BANKS

In hand			
- local currency		2,249,421	1,108,762
- foreign currencies		486,137	291,322
With the State Bank of Pakistan in			
- local currency current accounts	7.1	2,078,381	3,727,428
- foreign currency current accounts	7.1	444,936	325,499
With the National Bank of Pakistan in			
- local currency current accounts		504,835	191,017
		<u>5,763,710</u>	<u>5,644,028</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, 2008



8. BALANCES WITH OTHER BANKS

In Pakistan

	Note	2008	2007
		Rupees in '000	
- on current accounts		195,901	100,483
Outside Pakistan		295,976	344,033
- on current accounts	8.1	853,097	3,285,033
- on deposit accounts		1,344,974	3,729,549

8.1 The return on these balances ranges from 1.70% to 5.10% (2007: 4.30% to 5.32%) per annum.

9. DUE FROM FINANCIAL INSTITUTIONS

Commodity Murabaha		18,108,000	8,850,000
9.1 The average return on these commodity murabahas is 15.64% (2007: 9.98%) per annum.			
9.2 Particulars of due from financial institutions			
In local currency		18,108,000	8,850,000
In foreign currency		-	-
		18,108,000	8,850,000

10. INVESTMENTS

10.1 Investments by types

	Note	2008			2007		
		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	517,172	-	517,172
Available for sale securities	10.5	10,743,499	-	10,743,499	6,547,187	-	6,547,187
Held to maturity securities	10.6	1,735,329	-	1,735,329	1,621,200	-	1,621,200
		12,652,938	-	12,652,938	8,685,559	-	8,685,559
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	1,568,794	-	1,568,794
Associates (unlisted)	10.9	274,280	-	274,280	274,280	-	274,280
Investment at cost / carrying value		15,010,429	-	15,010,429	10,591,683	-	10,591,683
Less: Provision for diminution in value of investments and impairment	10.10	(298,512)	-	(298,512)	(9,628)	-	(9,628)
Investments (net of provision)		14,711,917	-	14,711,917	10,582,055	-	10,582,055
Deficit on revaluation of held for trading securities	10.11	(23,014)	-	(23,014)	(31,453)	-	(31,453)
Deficit on revaluation of available for sale securities	21	(401,954)	-	(401,954)	(15,416)	-	(15,416)
Total investments at market value		14,286,949	-	14,286,949	10,535,186	-	10,535,186

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



10.2 Investments by segments

	Note	2008	2007
		Rupees in '000	
Fully paid up ordinary shares			
- Listed companies		962,807	627,962
- Unlisted companies		191,050	191,050
Preference shares		146,280	146,280
Global Sukuk Bonds		980,822	781,200
WAPDA First Sukuk Certificates		1,150,000	1,150,000
WAPDA Second Sukuk Certificates		1,750,000	1,550,000
GOP Ijarah Sukuk		3,640,000	-
Sukuk Certificates		3,836,000	3,598,000
Units of open - end funds		2,144,271	2,335,492
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
Advance against units of Inter Security Islamic Fund		-	2,500
Total investment at cost / carrying value		15,010,429	10,591,683
Less: Provision for diminution in value of investments and impairment	10.10	(298,512)	(9,628)
Investments (net of provision)		14,711,917	10,582,055
Deficit on revaluation of held for trading securities	10.11	(23,014)	(31,453)
Deficit on revaluation of available for sale securities	21	(401,954)	(15,416)
Total investments at market value		14,286,949	10,535,186

- 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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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	Note	2008		2007	
		Number of Shares	Cost / carrying amount Rupees in '000	2008	2007
Textile composite					
Nishat Mills Limited		-	181,830	-	20,835
Cement					
Attock Cement Pakistan Limited		-	120,000	-	13,033
Power generation and distribution					
The Hub Power Company Limited		-	1,642,000	-	51,228
Oil and gas marketing					
Pakistan State Oil Company Limited	10.4.3	285,700	40,000	46,364	17,124
Oil and gas exploration					
Pakistan Oilfields Limited	10.4.3	777,000	22,550	93,018	8,098
Oil and Gas Development Company Limited	10.4.3	500,000	350,000	5,537	43,059
Pakistan Petroleum Limited		-	230,350	-	59,309
Automobile parts and accessories					
Agriauto Industries Limited	10.4.1	-	150,000	-	16,660
Automobile assembler					
Indus Motor Company Limited		-	40,000	-	14,523
Pak Suzuki Motor Company Limited		-	45,200	-	17,542
Technology and communication					
Pakistan Telecommunication Company Limited (A)		-	502,900	-	26,525
TRG Pakistan Limited		-	210,000	-	2,686
Fertilizer					
Fauji Fertilizer Company Limited		-	445,273	-	54,799
Fauji Fertilizer Bin Qasim Limited			1,392,500	29,191	63,490
Engro Chemicals Pakistan Limited	10.4.3	-	225,000	-	62,212
Chemicals					
ICI Pakistan Limited		-	30,000	-	6,364
Paper and board					
Packages Limited		-	102,721	-	39,685
Total				174,110	517,172

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



10.4.2 During the year, the Bank transferred its investment in equity securities having value of Rs. 1,040.656 million from held for trading category to available for sale category as on November 28, 2008, at the market rates prevailing on the said date. The difference between the carrying amount and market value aggregates to Rs. 362.751 million was charged to profit and loss. The transfer was based on the decision of ALCO Committee, in accordance with the provisions of BSD circular No.10 dated July 13, 2004, keeping in view the tight liquidity position in the market and the decline in the economy.

10.4.3 This includes securities with deferred purchase commitments (2007: Nil).

10.4.4 The table below sets out the Investments reclassified and their carrying and fair value.

	November 28, 2008	December 31, 2008	
	Carrying Value	Fair Value	Carrying Value
Rupees in '000			
Held for trading securities reclassified to available for sale securities	1,040,656	677,905	677,905
	<u> </u>	<u> </u>	<u> </u>
	386,336		

10.4.5 The table below sets out the amounts actually recognised in profit or loss and equity during 2008 in respect of the investments reclassified out of held for trading investment securities:

	Profit & Loss Account	Equity
		Rupees in '000
Profit / (loss) before reclassification		
Impairment on reclassification of securities from held for trading securities to available for sale securities	362,751	-
Profit / (loss) after reclassification		
Deficit on revaluation of available for sale securities	-	291,569
	<u> </u>	<u> </u>

10.4.6 The table below sets out the amounts that would have been recognised in the period following reclassification during 2008 if the reclassification had not been made:

	Profit & Loss Account	Equity
		Rupees in '000
Unrealised loss on revaluation of held for trading securities		
	291,569	-
	<u> </u>	<u> </u>

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	2008	2007	2008	2007	2008		2007	
	Number of shares / units /certificates		Cost Rupees in '000	Rupees in '000	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
Ordinary shares								
Automobile parts and accessories								
Agriauto Industries Limited - note 10.5.1	324,000	120,000	20,352	13,872	10,002	-	12,989	-
Cement								
Attock Cement Pakistan Limited	175,000	-	7,688	-	6,594	-	-	-
D.G. Khan Cement Company Limited	855,000	-	33,584	-	18,186	-	-	-
Fauji Cement Company Limited	286,000	-	1,973	-	1,344	-	-	-
Automobile Assembler								
Indus Motor Company Limited	35,738	-	5,121	-	4,391	-	-	-
Pak Suzuki Motor Company Limited	45,200	-	3,787	-	3,598	-	-	-
Power generation and distribution								
The Hub Power Company Limited	3,543,000	1,225,000	89,761	40,016	49,921	-	37,362	-
Oil and gas marketing								
Pakistan State Oil Company Limited	133,380	7,880	36,885	3,314	19,285	AAA / A1+	3,204	AAA / A1+
Shell Pakistan Limited	1,031	825	180	179	320	-	335	-
Sui Northern Gas Pipeline Limited	227,600	-	6,352	-	4,884	AA / A1+	-	-
Oil and gas exploration								
Pakistan Oilfields Limited	264,660	-	50,174	-	27,125	-	-	-
Oil and Gas Development Company Limited	684,600	-	64,647	-	34,223	AAA / A1+	-	-
Pakistan Petroleum Limited	510,785	-	98,914	-	51,395	-	-	-
Fertilizer								
Engro Chemicals Pakistan Limited	545,400	-	98,412	-	52,609	AA / A1+	-	-
Fauji Fertilizer Bin Qasim Limited	2,102,500	-	47,895	-	27,122	-	-	-
Fauji Fertilizer Company Limited	683,859	288,586	75,045	35,518	40,163	-	34,269	-
Paper and board								
Packages Limited	170,229	46,305	34,472	17,891	13,821	AA / A1+	16,846	AA / A1+
Chemicals								
ICI Pakistan Limited	278,800	-	35,405	-	19,156	-	-	-
Textile composite								
Nishat Mills Limited	152,330	-	6,735	-	3,443	A+ / A1	-	-
Technology and communication								
Pakistan Telecommunication Company Limited (A)	1,566,300	-	49,338	-	26,455	-	-	-
TRG Pakistan Limited	2,160,000	-	8,251	-	3,845	-	-	-
Refinery								
Pakistan Refinery Limited	101,900	-	10,554	-	10,027	-	-	-
Jute								
Thal Limited	35,000	-	3,172	-	2,863	-	-	-

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Name of the investee company/fund	2008	2007	2008	2007	2008		2007	
	Number of shares / units /certificates		Cost Rupees in '000	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term	
				Rupees in '000		Rupees in '000		
Sukuk Certificates								
WAPDA Second Sukuk								
Certificates - note 10.5.2 & 10.5.4	350,000	310,000	1,750,000	1,550,000	1,767,500	-	1,550,000	-
Dawood Hercules Chemicals Limited - note 10.5.3 & 10.5.5	20,000	20,000	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Century Paper and Board Mills Limited - note 10.5.4 & 10.5.6	125,000	140,000	625,000	700,000	625,000	-	700,000	-
Sui Southern Gas Company Limited - note 10.5.4 & 10.5.7	200,000	200,000	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Engro Chemicals Pakistan Limited - note 10.5.10 & 10.5.8	150,000	150,000	750,000	750,000	750,000	-	750,000	-
Sitara Chemical Industries Limited - note 10.5.9 & 10.5.10	29,600	29,600	111,000	148,000	111,000	-	148,000	-
Quetta Textile Mills - note 10.5.4 & 10.5.11	30,000	-	150,000	-	150,000	-	-	-
Arzo Textile Mills Limited - note 10.5.4 & 10.5.12	10,000	-	50,000	-	50,000	-	-	-
Sitara Peroxide Limited - note 10.5.4 & 10.5.13	30,000	-	150,000	-	150,000	-	-	-
GOP Sukuk								
Ijarah Sukuk First - note 10.5.14 & 10.5.16	16,400	-	1,640,000	-	1,640,000	-	-	-
Ijarah Sukuk Second - note 10.5.15 & 10.5.16	20,000	-	2,000,000	-	2,000,000	-	-	-
Units of open-end funds								
United Composite Islamic Fund	232,558	232,558	25,000	25,000	14,661	-	25,000	-
United Islamic Income Fund	1,995,243	4,937,004	204,847	500,000	186,017	-	501,797	-
NAFA Islamic Income Fund	-	24,503,318	-	250,000	-	-	248,218	-
Atlas Islamic Fund	189,034	368,609	102,566	200,000	70,266	-	192,834	-
Sukuk Bonds								
Abu Dhabi Sukuk Bonds - note 10.5.17	5,000,000	5,000,000	395,492	310,000	395,432	-	307,520	-
Others								
S.W.I.F.T. SCRL	5	5	897	897	897	-	897	-
Advance against issue of units of Inter Security Islamic Fund	-	-	-	2,500	-	-	2,500	-
			10,743,499	6,547,187	10,341,545		6,531,771	

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

10.5.2 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.

10.5.3 The paid up value of these sukuks is Rs. 50,000 per certificate.

10.5.4 The paid up value of these sukuks is Rs. 5,000 per certificate.

10.5.5 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.

10.5.6 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.

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- 10.5.7** 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.
- 10.5.8** 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.
- 10.5.9** 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.
- 10.5.10** The paid up value of these sukuks is Rs. 3,750 per certificate.
- 10.5.11** 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.
- 10.5.12** 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.
- 10.5.13** 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.
- 10.5.14** These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprise of 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.
- 10.5.15** These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of 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.
- 10.5.16** The paid up value of these sukuks is Rs. 100,000 per certificate.
- 10.5.17** 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	2008		2007	
		Number of Bonds / Certificates		Cost Rupees in '000	
Sukuk Bonds / certificates					
Qatar Global Sukuk Bonds (Sukuk - Qatar)	10.6.1	1,000,000	1,000,000	31,639	37,200
Dubai Sukuk Bonds (Sukuk - Dubai)	10.6.2	7,000,000	7,000,000	553,690	434,000
WAPDA First Sukuk Certificates (Sukuk - WAPDA)	10.6.3	230,000	230,000	1,150,000	1,150,000
				1,735,329	1,621,200

- 10.6.1** The paid up value of Sukuk – Qatar is US \$ 0.4 (2007:US \$ 0.6) per bond. The return on Sukuk – Qatar is on the basis of London inter-bank offer rate plus a fixed credit spread of forty basis points. These bonds will mature between 2009 and 2010.
- 10.6.2** The paid up value of Sukuk – Dubai is US \$ 1 (2007: US \$ 1) per bond. The return on Sukuk – Dubai is on the basis of London inter-bank offer rate plus a fixed credit spread of forty five basis points. These bonds will mature in 2009.
- 10.6.3** The paid up value of Sukuk -WAPDA is Rs. 5,000 per certificate. The return on Sukuk - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of thirty five basis points. These bonds will mature in 2012. These sukuk certificates are backed by Government of Pakistan sovereign guarantee.

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10.7 Subsidiary (unlisted)

Particulars	Note	2008	2007	2008	2007	Percentage of equity holding	Break up value per share	Latest available financial statements	Name of the chief executive
		Number of Shares		Rupees in '000		%	Rupees		
Al Meezan Investment Management Limited (ordinary shares)	10.7.1	2,762,500	2,762,500	63,050	63,050	65	196.46	June 30, 2008	Mr. Muhammad Shoaib
				<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 and preference shares of 100 each, in the following listed investee entities:

Name of the investee entity	Note	2008	2007	Percentage of direct equity holding %	2008	2007
		Number of shares / certificates / units			Cost Rupees in '000	
Ordinary Shares						
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	6,036,340	Open end fund	380,525	380,525
Meezan Islamic Income Fund		23,466,113	19,510,827	Open end fund	1,181,334	979,967
Meezan Capital Protected Fund	10.8.4	5,000,000	-	Open end fund	250,000	-
					<u>2,020,161</u>	<u>1,568,794</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. 1,608 million (2007: Rs. 1,605 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, in the following unlisted investee companies:

Particulars	2008	2007	2008	2007	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
	Number of shares / Certificates		Rupees in '000					
Plexus (Private) Limited	1,499,980	1,499,980	15,000	15,000	50	4.70	June 30, 2008	Mr. Abdul Rehman
Faysal Management Services (Private) Limited note 10.9.1	540,000	540,000	54,000	54,000	30	102.37	Dec. 31, 2008	Mr. Taimur Afzal
Blue Water (Private) Limited note 10.9.2	90,000	90,000	9,000	9,000	30	104.45	June 30, 2008	Mr. Shuja-ul-Mulk Khan
Falcon Greenwood (Private) Limited							June 30, 2008	Mr. Abbas Khan
Ordinary shares - note 10.9.2	250,000	250,000	25,000	25,000	25	95.62	-	-
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	9.03	Dec. 31, 2007	Mr. Istaqbal Mehdi
Total			274,280	274,280				

10.9.1 The nominal value of these shares is Rs. 100 each. These shares are in custody of SECP and cannot be sold without the prior approval of SECP in accordance with circular No. 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

	2008			2007		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	9,628	-	9,628	8,750	-	8,750
Charge for the year on associates (listed) on associates (unlisted)	287,046 1,838	-	287,046 1,838	-	-	878
	288,884	-	288,884	878	-	878
Closing balance	298,512	-	298,512	9,628	-	9,628

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	Note	2008	2007
		Rupees in '000	
10.10.1 Provision in respect of type and segment			
Associates - unlisted			
Fully paid up ordinary shares		11,466	9,628
Associates - listed			
Certificates		67,954	-
Units		219,092	-
		287,046	-
		298,512	9,628

10.11 Deficit on revaluation of held for trading securities

Fully paid up ordinary shares			
Deficit on listed shares		(23,014)	(31,453)

11. FINANCINGS

In Pakistan

- Murabaha financings	11.1	14,590,314	15,968,791
- Net investment in Ijarah	11.2	9,553,207	7,758,464
- Export Refinance under Islamic scheme	11.3	3,687,948	3,516,317
- Diminishing Musharakah financings - housing		3,613,476	3,158,134
- Diminishing Musharakah financings - others		5,928,857	2,102,247
- Musharakah financings		80,531	80,531
- Istisna financings		1,605,460	238,275
- Tijarah financings		6,313	-
- Financings against bills - Salam		486,449	658,750
- Financings against bills - Murabaha		850,763	1,345,692
- Loans and running finances	11.4	463,352	422,411
Total financing		40,866,670	35,249,612
Less: Provision against non-performing financings	11.7	(1,098,189)	(673,273)
Financings net of provision	11.5 & 11.9	39,768,481	34,576,339

11.1 Murabaha receivable - gross	11.1.2	15,350,282	16,526,020
Less: Deferred murabaha income		(317,937)	(276,865)
Profit receivable shown in other assets		(442,031)	(280,364)
Murabaha financings		14,590,314	15,968,791
11.1.1 Murabaha Sale Price		15,164,924	16,432,528
Murabaha Purchase Price		(14,590,314)	(15,968,791)
		574,610	463,737

11.1.2 This includes advance for Murabaha aggregating Rs. 1,411 million (2007: Rs. 2,480 million).

Notes to and forming part of the Financial Statements



For the year ended December 31, 2008

11.2 Net investment in Ijarah

	2008				2007			
	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	2,318,449	7,776,671	559,288	10,654,408	2,418,291	5,622,823	44,936	8,086,050
Residual value	572,972	1,396,879	30,254	2,000,105	434,140	1,183,792	33,489	1,651,421
Minimum Ijarah payments	2,891,421	9,173,550	589,542	12,654,513	2,852,431	6,806,615	78,425	9,737,471
Less: Profits for future periods	(734,983)	(2,275,663)	(90,660)	(3,101,306)	(515,712)	(1,455,644)	(7,651)	(1,979,007)
Present value of minimum Ijarah payments	2,156,438	6,897,887	498,882	9,553,207	2,336,719	5,350,971	70,774	7,758,464

11.3	Receivable under Islamic Export Refinance		
	Scheme- gross - note 11.3.1	3,783,641	3,615,372
	Less: Deferred income	(52,733)	(44,739)
	Profit receivable shown in other assets	(42,960)	(54,316)
	Receivable under Islamic Export Refinance	3,687,948	3,516,317

11.3.1 This includes advance for Murabaha under Islamic Export Refinance Scheme aggregating Rs. 433 million (2007: Rs. 620 million).

11.4 This includes Rs. 104.888 million (2007 : Rs. 110.931 million) representing mark up free loans to staff advanced under the Bank's human resource policies.

	2008	2007
	Rupees in '000	
11.5 Particulars of financings - net		
11.5.1 In		
- local currency	37,789,456	32,542,035
- foreign currencies	<u>1,979,025</u>	<u>2,034,304</u>
	<u><u>39,768,481</u></u>	<u><u>34,576,339</u></u>
11.5.2 Short-term (for upto one year)	21,499,732	22,431,851
Long-term (for over one year)	18,268,749	12,144,488
	<u><u>39,768,481</u></u>	<u><u>34,576,339</u></u>

Notes to and forming part of the Financial Statements

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- 11.6** Financings include Rs. 2,060.108 million (2007: Rs. 553.339 million) which have been placed under non-performing status as detailed below:

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
	2,060,108	-	2,060,108	994,749	994,749
2007					
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	123,336	-	123,336	24,855	24,855
Doubtful	122,729	-	122,729	57,952	57,952
Loss	307,274	-	307,274	296,690	296,690
	553,339	-	553,339	379,497	379,497

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

	2008			2007		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	379,497	293,776	673,273	163,712	74,543	238,255
Charge for the year	775,040	9,664	784,704	238,997	219,233	458,250
Less: Reversals	(156,268)	(200,000)	(356,268)	(23,212)	-	(23,212)
Amount Written off - note 11.8	618,772	(190,336)	428,436	215,785	219,233	435,018
Closing balance	994,749	103,440	1,098,189	379,497	293,776	673,273

- 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:

	2008			2007		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	973,519	103,440	1,076,959	364,233	293,776	658,009
In foreign currencies	21,230	-	21,230	15,264	-	15,264
	994,749	103,440	1,098,189	379,497	293,776	673,273

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11.8 Particulars of write offs

	Note	2008	2007
		Rupees in '000	
11.8.1 Against provision	11.7	3,520	-
Directly charged to profit and loss account		-	-
		<u>3,520</u>	<u>-</u>
11.8.2 Write offs Rs. 500,000 and above		3,520	-
Write offs below Rs. 500,000		-	-
		<u>3,520</u>	<u>-</u>

11.8.3 Details of loan written off of Rs. 500,000 and above

In term of sub-section (3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2008, is given as Annexure - 1.

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

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

	Note	2008	2007
		Rupees in '000	
Balance at the beginning of the year		262,492	169,116
Financing granted during the year		173,419	129,942
Repayments		(93,641)	(36,566)
Balance at the end of the year	11.9.1	<u>342,270</u>	<u>262,492</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	2008	2007
		Rupees in '000	
Balance at the beginning of the year		345,314	395,903
Financing granted during the year		347,671	297,825
Repayments		(324,158)	(348,414)
Balance at the end of the year	11.9.2	<u>368,827</u>	<u>345,314</u>

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

	Note	2008	2007
		Rupees in '000	
Balance at the beginning of the year		669	1,488
Financing granted during the year		-	-
Repayments		(669)	(819)
Balance at the end of the year	11.9.3	<u>-</u>	<u>669</u>

11.9.1 The maximum total amount of financings including temporary financings granted during the year were Rs. 342.270 million (2007: Rs. 262.492 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 (2007: Rs. 70.531 million), Murabaha and Ijarah facilities outstanding from The General Tyre and Rubber Company Limited (an associated company) (GTR) amounting to Rs. Nil (2007: Rs. 204.534 million) and Rs. 297.620 million (2007: Rs. 67.448 million) respectively and Ijarah facility outstanding from Pak-Kuwait Takaful Company Limited (an associated company) amounting to Rs. 0.674 million (2007: Rs. 2.801 million). The Musharakah facility is secured against equitable mortgage over property whereas the Ijarah facilities

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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. 572.685 million (2007: Rs. 482.177 million). The maximum amount has been calculated by reference to the month end balance.

11.9.3 This represents an Ijarah facility outstanding from Al-Meezan Investment Management Limited (a subsidiary company). The Ijarah facility was secured against the respective assets. The maximum total amounts of financings including temporary financings granted during the year were Rs. 0.669 million (2007: Rs. 1.488 million). The maximum amount has been calculated by reference to the month end balance.

11.9.4 Loans and financings to executives and a director

	Executives		Director	
	2008	2007	2008	2007
Rupees in '000				
Opening balance	125,254	55,342	562	694
Loans disbursed during the year	60,776	98,287	-	-
Loans repaid during the year	(18,257)	(28,375)	(132)	(132)
Closing balance	167,773	125,254	430	562

12. OPERATING FIXED ASSETS

	Note	2008	2007
		Rupees in '000	
Tangible assets			
Capital work-in-progress	12.1	70,228	59,654
Property and equipment	12.2	1,715,403	905,036
		1,785,631	964,690
Intangible assets			
	12.4	94,884	68,273
		1,880,515	1,032,963

12.1 Capital work-in-progress

- Advances to suppliers and contractors for building renovation	12,847	20,863
- Advances for computer hardware	19,959	19,678
- Advances for purchase of vehicles	9,881	7,912
- Advances for computer software	8,514	600
- Advances for other office machines	19,027	10,466
- Advances for furniture and fixtures	-	135
	70,228	59,654

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12.2 Property and equipment

	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 (3,257)	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 (3,750)	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	

	2007							
	COST			DEPRECIATION			Net book value as at December 31, 2007	Rate of depreciation %
	As at January 1, 2007	Additions / (disposals)	As at December 31, 2007	As at January 1, 2007	Charge / (on disposal)	As at December 31, 2007		
Rupees in '000								
Land and buildings - note 12.3.1	71,970	182,158	254,128	9,131	4,198	13,329	240,799	5
Leasehold improvements	220,699	161,110	381,809	43,280	28,077	71,357	310,452	10
Furniture and fixtures	48,525	30,982 (280)	79,227	10,099	6,203 (140)	16,162	63,065	10
Electrical, office and computer equipments	224,621	147,697 (1,182)	371,136	126,558	59,094 (1,171)	184,481	186,655	20 and 33
Vehicles	116,098	65,186 (13,130)	168,154	47,186	26,848 (9,945)	64,089	104,065	20
	681,913	587,133 (14,592)	1,254,454	236,254	124,420 (11,256)	349,418	905,056	

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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, 2007						
Cost	71,970	220,699	48,525	224,621	116,098	681,913
Accumulated depreciation	(9,131)	(43,280)	(10,099)	(126,558)	(47,186)	(236,254)
Net book value	62,839	177,419	38,426	98,063	68,912	445,659
Year ended						
December 31, 2007						
Additions	182,158	161,110	30,982	147,697	65,186	587,133
Net book value of disposals	-	-	(140)	(11)	(3,185)	(3,336)
Depreciation charge	(4,198)	(28,077)	(6,203)	(59,094)	(26,848)	(124,420)
Net book value as at December 31, 2007	240,799	310,452	63,065	186,655	104,065	905,036
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

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

12.3.2 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs. 144.117 million (2007: Rs. 62.603 million).

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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 Civic	1,039	589	450	875	Negotiation	S. Tariq Ali
Honda Civic	1,042	799	243	592	MBL Policy	Saleem Wafai (Employee)
Honda Civic	1,042	799	243	592	MBL Policy	Munawar Rizvi (Employee)
Honda Civic	1,425	48	1,377	1,409	Negotiation	Abid Wazir Khan
Toyota Corolla	879	674	205	705	Negotiation	Waleed Iqbal
Toyota Corolla	1,169	1,169	-	117	MBL Policy	Ariful Islam (Employee)
Toyota Corolla	1,209	947	262	602	MBL Policy	Shabbir Hamza Khandwala (Employee)
Toyota Corolla	980	552	428	951	Negotiation	Peeral
Toyota Corolla	1,084	1,084	-	108	MBL Policy	Aasim Saleem (Employee)
Toyota Corolla	927	62	865	915	Insurance Claim	Pak Kuwait Takaful
Suzuki Cultus	560	280	280	470	Negotiation	M. Faisal Ghazi
Suzuki Cultus	560	299	261	510	Negotiation	Muhammed Ejaz
Suzuki Cultus	567	320	247	517	Negotiation	Muhammed Umer
Suzuki Cultus	560	280	280	475	Negotiation	Wasim Mirza
Suzuki Cultus	560	177	383	560	Negotiation	Arif Salman
Suzuki Cultus	590	590	-	315	Negotiation	Muhammed Khurram
Suzuki Cultus	560	467	93	325	Negotiation	Amjad Farooq
Suzuki Cultus	560	457	103	300	Negotiation	Jawad Bawani
Suzuki Alto	491	491	-	342	Negotiation	Sultan Hassan
Suzuki Alto	464	263	201	410	Negotiation	Amir Maqbool
Suzuki Alto	469	211	258	382	Negotiation	William D'Souza (Ex-Employee)
Suzuki Alto	496	496	-	240	Negotiation	Shahzad Hussain
Suzuki Alto	469	328	141	365	Negotiation	Imran Mirza Riski
Suzuki Alto	469	211	258	405	Negotiation	Shahid Ali
Suzuki Alto	469	266	203	387	Negotiation	Muhammed Umer
Suzuki Alto	469	266	203	390	Negotiation	M. Tahir
Suzuki Alto	469	266	203	407	Negotiation	Asadullah Sharif
Suzuki Alto	469	305	164	360	Negotiation	Shahid Ali
Suzuki Alto	469	266	203	400	Negotiation	Wasim Mirza
Suzuki Alto	469	266	203	419	Negotiation	Qamar Fayyaz
Suzuki Alto	484	484	-	246	Negotiation	Muhammed Khurram
Honda Citi	785	785	-	79	Negotiation	Najam ul Hassan (Ex-Employee)
Honda Citi	835	654	181	416	MBL Policy	Muhammed Raza (Employee)
Honda Civic	1,043	591	452	880	Negotiation	Wasim Mirza
Honda Citi	1,003	969	34	476	MBL Policy	Sohail Khan (Employee)
Honda Citi	933	529	404	690	MBL Policy	Ahmed Ali Siddiqui (Employee)
Honda Citi	898	210	688	719	MBL Policy	Najam ul Hassan (Ex-Employee)
Honda Citi	885	679	206	503	MBL Policy	Bashir Baloch (Employee)
Honda Citi	835	640	195	407	Negotiation	Shahzad
Honda Citi	898	149	749	901	Insurance Claim	Pak Kuwait Takaful
Santro	499	499	-	304	Negotiation	Mehar Amraiz
Santro	519	502	17	318	Negotiation	Faisal Shahar
Santro	579	521	58	325	Negotiation	Farooq Khan
Santro	499	499	-	200	Negotiation	Muhammed Amer Khalil
Toyota Camray	2,674	1,809	865	1,475	Negotiation	Wajeeha A. Saleem
Honda Citi	791	791	-	260	Negotiation	Muhammed Rafiq Malik
Honda Civic	735	735	-	358	Negotiation	Raza Mohiuddin
Honda Citi	689	688	1	-	MBL Policy	Faiz Siddiqui (Ex-Employee)
Honda Civic	1,135	1,135	-	600	Negotiation	Raza Mohiuddin
Leasehold Improvements						
Civil Works	3,237	158	3,079	3,210	Insurance Claim	Pak Kuwait Takaful

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Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Furniture and fixtures						
Chairs	27	12	15	22	Negotiation	Fine Furniture
Chairs	117	5	112	117	Insurance Claim	Pak Kuwait Takaful
Electrical, office and computer equipments						
CCTV and Camera	185	14	171	165	Insurance Claim	Pak Kuwait Takaful
CCTV and Camera	1,055	860	195	56	Negotiation	Fakhar International
CISCO Router	180	3	177	188	Insurance Claim	Pak Kuwait Takaful
Photocopier	69	-	69	69	Insurance Claim	Pak Kuwait Takaful
Fax Machine	73	16	57	70	Insurance Claim	Pak Kuwait Takaful
Fax Machine	108	93	15	8	Negotiation	Mansha Brothers
Loose Note						
Counting Machine	33	2	31	33	Insurance Claim	Pak Kuwait Takaful
Note Binding Machine	28	3	25	28	Insurance Claim	Pak Kuwait Takaful
PABX System	90	5	85	69	Insurance Claim	Pak Kuwait Takaful
AC	440	95	345	345	Insurance Claim	Pak Kuwait Takaful
UPS	199	13	186	199	Insurance Claim	Pak Kuwait Takaful
Computer Systems	1,038	543	495	789	Insurance Claim	Pak Kuwait Takaful
Printers	232	33	199	237	Insurance Claim	Pak Kuwait Takaful
	44,815	27,952	16,863	29,607		

12.4 Intangible assets

	COST			AMORTISATION			Rate of amortisation %
	Opening balance	Additions during the year	Closing balance	Opening balance	Amortisation during the year	Closing balance	
	as at	the year	as at	as at	the year	as at	
	January 1, 2008		December 31, 2008	January 1, 2008		December 31, 2008	December 31, 2008
Rupees in '000							
Computer software	93,208	48,520	141,728	24,935	21,909	46,844	94,884
2007	29,461	63,747	93,208	10,653	14,282	24,935	68,273

12.5 Intangible assets-Movement of net book value

	Year ended December 31, 2007				Year ended December 31, 2008		
	Net book value as at	Additon during the year	Amortisation charge for the year	Net book value as at	Addition during the year	Amortisation charge for the year	Net book value as at
	January 1, 2007			December 31, 2007			December 31, 2008
	Rupees in '000						
Computer software	18,808	63,747	14,282	68,273	48,520	21,909	94,884

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13. OTHER ASSETS

	Note	2008	2007
		Rupees in '000	
Profit / return accrued in local currency		1,396,932	677,307
Profit / return accrued in foreign currency		13,210	113,115
Advances, deposits, advance rent and other prepayments	13.1	542,274	427,100
Receivables on account of sale of securities	13.2	200,089	67,137
Dividends receivable		3,922	3,878
Stamps		6,293	6,824
Inventories	13.3	1,535,744	719,713
Advances against future Ijarah		312,208	757,094
Advances against Diminishing Musharakah		144,820	-
Security deposits		14,608	12,645
Unrealised gain on forward foreign exchange contracts		20,554	23,828
Unrealized gain on securities with deferred purchase commitments		23,014	-
Prepaid exchange risk fee		142	124
Other	13.4	1,842	1,729
		4,215,652	2,810,494
Provision against receivables on account of sale of securities	13.5	(92,211)	-
		4,123,441	2,810,494

13.1 This includes prepaid rent and prepaid insurance aggregating Rs. 208.063 million (2007: Rs. 164.438 million) and Rs. 113.572 million (2007: Rs. 95.987 million) respectively which are being amortized over a period of one year.

13.2 This represents receivable from broker against the sale of securities on deferred purchase commitment. The broker has defaulted on its commitment and the matter is under litigation in Sindh High Court. Pending final outcome of the case, the Bank has recognised loss equivalent to deficit in values of underlying securities.

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

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

13.5 Provision against other assets

	2008	2007
	Rupees in '000	
Opening balance	-	-
Charge for the year	92,211	-
Reversals	-	-
Amount written off	-	-
Closing balance	92,211	-

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	Note	2008	2007
		Rupees in '000	
14. BILLS PAYABLE			
In Pakistan		1,057,017	1,192,160
Outside Pakistan		-	-
		<u>1,057,017</u>	<u>1,192,160</u>
15. DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		3,994,609	2,384,699
Outside Pakistan		13,887	30,907
		<u>4,008,496</u>	<u>2,415,606</u>
15.1 Particulars of due to financial institutions with respect to currencies			
In local currency		3,971,667	2,384,699
In foreign currencies		36,829	30,907
		<u>4,008,496</u>	<u>2,415,606</u>
15.2 Details of due to financial institutions secured / unsecured			
Secured			
Borrowing from the State Bank of Pakistan under Islamic Export Refinance Scheme	15.2.1	3,517,946	2,384,699
Unsecured			
Overdrawn nostro accounts		13,887	30,907
Others		476,663	-
		<u>4,008,496</u>	<u>2,415,606</u>
15.2.1	These borrowings are on a profit and loss sharing basis maturing between January 05, 2009, to June 29, 2009, and are secured against demand promissory notes executed in favour of SBP. A limit of Rs. 3,800 million has been allocated to Bank by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2009.		
15.3 Particulars of due to financial institutions			
	Note	2008	2007
		Rupees in '000	
Short - term		4,008,496	2,415,606
Long - term		-	-
		<u>4,008,496</u>	<u>2,415,606</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008

	Note	2008	2007
		Rupees in '000	
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Fixed deposits		23,455,160	21,223,117
- Savings deposits		24,562,979	17,644,610
- Current accounts - non-remunerative		20,615,241	12,238,793
- Current accounts - remunerative		165,787	-
- Margin		615,994	386,674
		69,415,161	51,493,194
Financial institutions			
- Remunerative deposits		800,330	3,078,875
- Non-remunerative deposits		18,384	10,284
		818,714	3,089,159
		70,233,875	54,582,353
16.1 Particulars of deposits			
In			
- local currency		66,489,552	52,013,656
- foreign currencies		3,744,323	2,568,697
		70,233,875	54,582,353

17. DEFERRED TAX LIABILITIES

Credit/(debit) balances arising on account of:

Excess of accounting book values over tax written down values of owned assets		169,180	125,036
Excess of Ijarah financings over tax written down values of Ijarah assets		771,983	573,170
Excess of tax written down values over accounting net book values of investments		(4,013)	(3,370)
Other staff benefits		(45,185)	(64,752)
Provision against non-performing financings		(341,554)	(194,904)
Deficit on revaluation of available for sale investments		(35,835)	(2,162)
Provision for diminution in value of investments and impairment		(28,705)	-
Others		(32,833)	(2,641)
		453,058	430,377

18. OTHER LIABILITIES

Return on deposits and other dues			
- payable in local currency	18.1 & 18.1.1	534,164	531,953
- payable in foreign currency		10,852	10,050
Unearned commission		19,202	16,138
Accrued expenses	18.2	94,784	59,236
Current taxation (provision less payments)		338,743	28,384
Unclaimed dividends		851	855
Unrealised gain (net) on forward foreign exchange contracts		135,634	63,085
Payable to defined benefit plan	33.3	29,803	17,934
Provision against off-balance sheet obligations	18.3	1,600	7,548
Security deposits against Ijarah		2,104,357	1,842,878
Other staff benefits		129,097	185,005
Charity payable	18.4	8,820	12,419
Others		140,759	75,922
		3,548,666	2,851,407

18.1 This includes Rs. 40.374 million (2007: Rs. 37.642 million) in respect of return accrued on borrowings from SBP under the Islamic Export Refinance Scheme.

18.1.1 This includes Rs. 29.921 million (2007: Rs. Nil) in respect of payable to a fund of Al Meezan Investment Management Limited (Subsidiary).

18.2 This includes Rs. 0.651 million (2007: Rs. 5.550 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, 2008



	Note	2008	2007
		Rupees in '000	
18.3 Provision against off-balance sheet obligations			
Opening balance		7,548	1,600
Charge for the year		-	5,948
Reversals		(5,948)	-
Amount written off		-	-
Closing balance	18.3.1	1,600	7,548

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

	Note	2008	2007
		Rupees in '000	
18.4 Reconciliation of charity payable			
Balance as at January 1		12,419	9,549
Additions during the year		36,288	32,507
Less: Transferred to charity savings account (included in deposits and other accounts)	18.4.2	(39,887)	(29,637)
Balance as at December 31		8,820	12,419

18.4.1 Charity paid through saving account during the year is Rs. 2.13 million (2007: Rs.4.778 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organisations:

	2008	2007
	Rupees in '000	
Al Shifa Trust	-	250
Alamgir Welfare Trust	-	1,110
Health Oriented Preventive Education	125	-
Idara Al Khair Welfare Society	300	200
Indus Hospital	500	-
The Citizen Foundation (TCF)	389	-
Ms. Shagufta Ibrahim(Late) - Ex-Employee	-	450
Rashid Memorial Welfare Organization	-	1,200
Security Guard Tando Allahyar Br. Meezan Bank Limited	500	-
Sindh Institute of Urology and Transplantation (SIUT)	-	1,000

18.4.2 Charity in profit and loss saving account is Rs.69.349 million (2007: Rs.29.637 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.

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, 2008	800,000,000	8,000,000
Increase during the year	-	-
As at December 31, 2008	800,000,000	8,000,000
Issued, subscribed and paid-up capital		
As at January 1, 2007	377,989,686	3,779,897
Issue of bonus shares of Rs. 10 each	-	-
As at December 31, 2007	377,989,686	3,779,897
Issue of bonus shares of Rs. 10 each	114,606,472	1,146,064
As at December 31, 2008	492,596,158	4,925,961

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



- 19.2** In accordance with the requirement of BSD circular No.6 dated October 28, 2005, the Bank was required to raise its paid-up capital to Rs. 5 billion by December 31, 2008. However, SBP vide its letter No. BSD /BAI-3/608/67/2009 dated January 17, 2009, has deferred the compliance of the "Minimum Capital Requirement" by the Bank till March 31, 2009.

	Note	2008	2007
		Rupees in '000	
20. RESERVES			
Statutory reserve	20.1	778,256	654,019
General reserve		66,766	66,766
		845,022	720,785

- 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.

		2008	2007
		Rupees in '000	
21. DEFICIT ON REVALUATION OF INVESTMENTS			
Quoted shares		(419,394)	(12,936)
Other securities - certificates		17,440	(2,480)
		(401,954)	(15,416)
Add: Deferred tax asset		35,835	2,162
		(366,119)	(13,254)

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Guarantees favouring			
- Government		311,574	277,849

22.2 Transaction related contingent liabilities

Guarantees favouring			
- Government		2,077,032	1,327,983
- Banks		69,427	28,530
- Others		2,833,741	2,396,774
		4,980,200	3,753,287

22.3 Trade related contingent liabilities

Import letters of credit		5,398,265	8,452,589
Acceptances		2,834,379	2,880,544
		8,232,644	11,333,133

22.4 Commitments in respect of forward exchange contracts

Purchases		8,084,571	5,323,699
Sales		9,315,366	9,773,147

22.5 Commitments for the acquisition of operating fixed assets

27,684 21,700

22.6 Commitments in respect of financings

22,733,968 23,386,645

22.7 Commitments in respect of securities with deferred purchase commitments

174,110 -

22.8 Other commitments

Bills for collection (inland)		96,983	44,854
Bills for collection (foreign)		2,453,995	2,211,968
		2,550,978	2,256,822

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



22.9 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 the Bank 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 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 subject to reduced rate of tax. Order to this effect has already been framed for the tax year 2003. For the following years 2004 and 2005, proceedings have been initiated in this respect whereas for the tax years 2006 to 2008, this matter has not yet emerged as these have been deemed assessments which are expected to be amended on this issue.

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

The Bank has challenged the matter in an appeal on the issue with the ITAT. The issue of allocation of expenses is expected to be decided on the basis of facts of the case to 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 not be allowed.

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.

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

	Note	2008	2007
		Rupees in '000	
On financings to:			
- Customers		4,689,554	3,282,802
On investments in			
- Available for sale securities		767,483	155,292
- Held to maturity securities		156,204	223,139
On deposits with financial institutions		1,189,972	912,519
		<u>6,803,213</u>	<u>4,573,752</u>

24. RETURN ON DEPOSITS AND OTHER DUES EXPENDED

Deposits and other accounts		2,897,056	2,214,220
Other short term borrowings	24.1	191,278	237,748
		<u>3,088,334</u>	<u>2,451,968</u>

24.1 This includes Rs. 143.325 million (2007: Rs. 231.125 million) paid / payable to SBP under Islamic Export Refinance Scheme.

25. CAPITAL GAIN ON SALE OF INVESTMENTS

	2008	2007
	Rupees in '000	
Shares - listed	46,173	527,905
Government Sukuk / certificates	353	5,188
Term finance certificates	475	-
	<u>47,001</u>	<u>533,093</u>

26. OTHER INCOME

Gain on termination of Ijarah financings		8,830	5,508
Gain on termination of diminishing Musharakah financings		16,119	12,887
Gain on sale of property, equipment and others		12,744	6,173
Gain on securities with deferred purchase commitments		23,014	-
Others		5,963	3,336
		<u>66,670</u>	<u>27,904</u>

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



27. ADMINISTRATIVE EXPENSES

	Note	2008	2007
		Rupees in '000	
Salaries, allowances, etc.	35	1,105,027	799,720
Charge for defined benefit plan	33.4	29,803	17,934
Contribution to defined contribution plan	34	33,009	20,418
Non- executive directors' fees	35	11,839	12,568
Rent, electricity, taxes, insurance, etc.		386,114	233,251
Takaful and tracker expenses on Ijarah		197,738	157,919
Communication		103,391	68,266
Stationery and printing		68,716	38,936
Entertainment		8,551	5,177
Office supplies		22,816	13,158
Local transportation and car running		50,802	26,651
Fees, subscription and clearing charges		49,526	23,057
Security charges including cash transportation charges		68,416	34,215
Repairs and maintenance		56,261	32,946
Hardware and software maintenance		29,692	8,011
Advertisement and publicity		43,462	44,196
Depreciation	12.2	210,095	124,420
Amortization	12.4	21,909	14,282
Travelling		24,885	18,092
Service charges	27.1	1,088	16,535
Brokerage, commission and bank charges		41,569	20,009
Legal and professional charges	27.2	15,961	13,204
Auditors' remuneration	27.3	6,600	4,200
Workers Welfare Fund	27.4	21,468	-
Others		17,868	8,596
		2,626,606	1,755,761

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

27.2 This includes remuneration to Shariah Board amounting to Rs. 1 million (2007: Rs. 1.3 million).

27.3 Auditors' remuneration	2008	2007
	Rupees in '000	
Audit fee	1,400	1,200
Fee for interim review	400	350
Special certifications and sundry advisory services	4,425	2,200
Out of pocket expenses	375	450
	6,600	4,200

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

28. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	287	2,884
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29. TAXATION

Current		
- for the year	314,790	271,452
- for prior years	-	-
Deferred	314,790	271,452
	56,334	34,235
	371,124	305,687

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



	Note	2008	2007
		Rupees in '000	
29.1 Relationship between tax expense and accounting profit			
Profit before taxation and WWF		1,013,779	1,269,188
Effects of:			
- Tax calculated at the applicable rate of 35%		354,823	444,215
- Tax effect of income that are not taxable in determining taxable profit		416	(114,358)
- Income chargeable to tax at reduced rate		10,865	(26,432)
- Permanent differences		5,020	2,262
Tax charge for the year		371,124	305,687

30. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year		621,187	963,501
		(Number)	
Weighted average number of ordinary shares		492,596,158	492,596,158
		(Rupees)	
Basic earnings per share	30.1	1.26	1.96

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2007 and 2008.

30.2 The number of ordinary shares as at December 31, 2007, have been adjusted for element of bonus shares.

31. CASH AND CASH EQUIVALENTS

	Note	2008	2007
		Rupees in '000	
Cash and balances with treasury banks	7	5,763,710	5,644,028
Balances with other banks	8	1,344,974	3,729,549
		7,108,684	9,373,577

32. STAFF STRENGTH

		2008	2007
		(Number of Staff)	
Permanent		1,834	1,276
Contractual basis		967	683
Bank's own staff strength at the end of the year		2,801	1,959
Outsourced		369	246
Total Staff Strength		3,170	2,205

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:

		2008	2007
		Principal actuarial assumptions	
33.1 Discount rate		15% p.a	10% p.a
Expected rate of increase in salaries		15% p.a	10% p.a
Expected rate of return on investments		15% p.a	10% p.a
Normal retirement age		60 years	60 years

The disclosures made in notes 33.1 to 33.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2008.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



	Note	2008 Rupees in '000	2007
33.2 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligations	33.7	80,277	48,929
Fair value of plan assets	33.8	(32,507)	(19,808)
Net actuarial losses not recognised	33.11	(17,967)	(11,187)
		29,803	17,934
33.3 Movement in payable to defined benefit plan			
Opening balance		17,934	7,929
Charge for the year	33.4	29,803	17,934
Contribution made during the year		(17,934)	(7,929)
Closing balance		29,803	17,934
33.4 Charge for defined benefit plan			
Current service cost		26,192	15,501
Interest cost		4,893	2,912
Expected return on plan assets		(1,981)	(1,153)
Actuarial gains and losses		699	674
		29,803	17,934
33.5 Actual return on plan asset	33.6	(520)	2,122

33.6 It includes a balance of Rs. 1.368 million (2007: Rs. 0.820 million) kept in a savings account and Rs.15.050 million (2007: Rs. 17.934 million) placed in a Meezan Aamdan Certificate with the Bank.

		2008 Rupees in '000	2007
33.7 Reconciliation of present value of obligation			
Present value of obligation as at January 1		48,929	29,117
Current service cost		26,192	15,501
Interest cost		4,893	2,912
Benefits paid		(4,715)	(1,774)
Actuarial loss on obligation		4,978	3,173
Present value of obligation as at December 31		80,277	48,929
33.8 Changes in the fair value of plan assets are as follows:			
Opening fair value of plan assets		19,808	11,531
Expected return		1,981	1,153
Contributions by the Bank		17,934	7,929
Benefits paid		(4,715)	(1,774)
Actuarial (loss) / gain		(2,501)	969
		32,507	19,808

		2008 Rupees in '000	2007 Rupees in '000
	%		%
33.9 The plan assets comprise as follows:			
Meezan Aamdan Certificates	46.30	15,050	17,934
Meezan Islamic Income Fund	3.35	1,089	1,054
Savings account with Meezan Bank	50.35	16,368	820
	100.00	32,507	19,808

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



	Note	2008 Rupees in '000	2007
33.10 Actuarial loss to be recognized			
Corridor Limit			
The limits of the corridor as at January 1		4,893	2,912
10% of obligations		1,981	1,153
10% of plan assets			
Which works out to		4,893	2,912
Unrecognised actuarial (losses) / gain as at January 1		(11,187)	(9,657)
Excess		(6,294)	(6,745)
Average expected remaining working lives in years		9	10
Actuarial loss to be recognized		(699)	(674)
33.11 Unrecognized actuarial losses			
Unrecognized actuarial losses at January 1		(11,187)	(9,657)
Actuarial loss on obligations	33.7	(4,978)	(3,173)
Actuarial (loss) / gain on assets	33.8	(2,501)	969
Actuarial loss recognised	33.10	(18,666)	(11,861)
Unrecognised actuarial (losses) as at December 31		699	674
		(17,967)	(11,187)

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:

	2008	2007	2006	2005	2004
	Rupees in '000				
Present value of defined benefit obligation	80,277	48,929	29,117	17,640	10,972
Fair value of plan assets	(32,507)	(19,808)	(11,531)	(6,841)	(1,956)
Deficit	47,770	29,121	17,586	10,799	9,016
Actuarial loss on obligation	(4,978)	(3,174)	(4,770)	(2,246)	(449)
Actuarial (loss) / gain on assets	(2,501)	969	(25)	(556)	338

33.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2009, works out to Rs. 37.730 million.

34. DEFINED CONTRIBUTION PLAN

The Bank also operates a recognized contributory provident fund for all permanent employees.

Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2008 Rupees in '000	2007 Rupees in '000
Contribution from the Bank	33,009	20,418
Contribution from the employees	33,009	20,418
	66,018	40,836

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Director		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in '000					
Fees*	-	-	11,839	12,568	-	-
Managerial remuneration**	17,092	45,091	11,281	25,506	131,450	132,690
Charge for defined benefit plan	1,140	453	803	731	8,738	4,502
Contribution to defined contribution plan	1,367	543	963	878	8,995	5,116
House rent	6,153	2,445	4,119	3,510	47,047	27,431
Utilities	1,367	543	963	878	10,486	6,272
Medical	1,520	546	1,090	994	12,821	6,938
Conveyance	1,551	774	642	253	-	-
Others	105	76	16	20	-	-
	30,295	50,471	31,716	45,338	219,537	182,949
Number of persons	1	1	9	8	116	67

* This includes amounts charged in these financial statements as fees to eight (2007: seven) non-executive directors.

** An aggregate provision of Rs.145.933 million has been recognised in the financial statements for bonus of Executives and staff of the Bank as per policy approved by the Board. However, the bonus has not been allocated to Executives and staff to the date of the financial statements. Accordingly, same has not been disclosed with the remuneration of Chief Executive, Directors and other Executives.

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments in listed securities, except investments categorized as 'held to maturity', investments in subsidiaries and associates is based on quoted market prices. The value of unquoted equity investments is reduced, if required, on the basis of break-up value of those investments based on the latest available audited financial statements as disclosed in notes 10.7 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 6.3.2. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits are frequently repriced.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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									
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	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	70,253,875	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%	-	-	-	-	-
2007									
Total income	252,166	2,081,907	704,294	2,865,272	12,518	5,688	-	-	-
Total expenses	(123,264)	(1,726,716)	(565,900)	(2,541,230)	(708)	(326)	-	-	-
Net income / (loss)	128,902	355,191	138,394	324,042	11,610	5,362	-	-	-
Segment Assets	5,148,000	27,454,218	5,150,287	29,426,054	-	-	-	-	-
Segment Non Performing Loans	-	-	95,675	457,664	-	-	-	-	-
Segment Provision Required	-	-	39,580	633,693	-	-	-	-	-
Segment Liabilities	-	132,381	54,582,354	6,757,168	-	-	-	-	-
Segment Return on Assets (ROA)	2.50%	1.29%	2.69%	1.10%	-	-	-	-	-
Segment Cost of funds	5.13%	5.13%	5.13%	5.13%	-	-	-	-	-

38. RELATED PARTY TRANSACTIONS

- 38.1** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors and key management personnel.
- 38.2** A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.
- 38.3 Subsidiary company**
- Al-Meezan Investment Management Limited
- 38.4 Key management personnel**
- President and Chief Executive Officer
- Chief Operating Officer

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Rupees in '000										
Financing										
At January 1,	346,545	398,085	669	1,488	345,314	395,903	562	694	-	-
Disbursed during the year	347,671	297,825	-	-	347,671	297,825	-	-	-	-
Repaid during the year	(324,959)	(349,365)	(669)	(819)	(324,158)	(348,414)	(132)	(132)	-	-
At December 31	369,257	346,545	-	669	368,827	345,314	430	562	-	-
Deposits										
At December 31	329,908	2,754,763	1,925	1,902	173,514	2,594,840	106,360	18,053	48,109	139,968
Borrowing	453,720	-	-	-	453,720	-	-	-	-	-
Balances										
Profit receivable on financing	3,970	11,237	-	25	3,970	11,212	-	-	-	-
Transfer agency fee receivable	900	-	900	-	-	-	-	-	-	-
Payable to defined benefit plan	29,803	17,934	-	-	-	-	-	-	29,803	17,934
Service charges payable by the Bank	651	5,550	651	5,550	-	-	-	-	-	-
Profit payable on borrowing	29,921	-	-	-	29,921	-	-	-	-	-
Acceptances	-	10,662	-	-	-	10,662	-	-	-	-
Letters of credit (unfunded)	35,106	49,551	-	-	35,106	49,551	-	-	-	-
Prepaid Takaful	110,738	94,087	-	-	110,738	94,087	-	-	-	-
Transactions, income and expenses										
Profit earned on financing	13,394	43,805	34	208	13,360	43,597	-	-	-	-
Return on deposits expensed	164,143	109,865	161	518	150,094	98,044	1,603	619	12,285	10,684
Takaful on consumer financings	195,063	161,370	-	-	195,063	161,370	-	-	-	-
Electricity charges	30,575	19,814	-	-	30,575	19,814	-	-	-	-
Dividend income earned	146,002	53,752	-	-	146,002	50,189	-	-	-	3,563
Capital gain	1,367	265,307	-	-	1,367	265,307	-	-	-	-
Charge for defined benefit plan	29,803	17,934	-	-	-	-	-	-	29,803	17,934
Contribution to defined contribution plan	33,009	20,418	-	-	-	-	-	-	33,009	20,418
Service charges incurred	2,032	15,896	1,088	5,709	944	128	-	-	-	10,059
Fees earned	17,016	15,509	4,923	5,688	12,093	7,152	-	-	-	669
Commission earned on letters of credit and acceptances	1,901	1,242	-	-	1,901	1,242	-	-	-	-

38.6 ASSOCIATES - KEY INFORMATION

Particulars	2008		
	Mutual Funds	Others	Total
Rupees in '000			
Assets	16,033,588	1,086,497	17,120,085
Liabilities	262,766	761,172	1,023,938
Operating revenue	811,048	11,488	822,536
Profit after tax	1,089,597	3,014	1,092,611

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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 un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments.

Tier II Capital

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

Tier III Capital

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

The required capital is achieved by the Bank through:

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

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

	2008 Basel II	2007 Basel II Un-audited
	Rupees in '000	
Tier I Capital		
Fully Paid-up capital	4,925,961	3,779,897
General Reserves as disclosed on the Balance Sheet	845,022	720,785
Unappropriated profits (Net of Losses)	570,114	1,219,228
Less: Deficit on account of revaluation of investments held in AFS category	(401,954)	(15,416)
Other deductions*	(31,525)	(31,525)
Total eligible Tier I capital	<hr/> 5,907,618	<hr/> 5,672,969
Tier II Capital		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *	103,440	293,776
Revaluation Reserves up to 45% under Basel II or 50% under Basel I	-	(5,239)
Less: Other deductions**	(31,525)	(31,525)
Total eligible Tier II capital	<hr/> 71,915	<hr/> 257,012
Tier III Capital		
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital)	<hr/> 71,915	<hr/> 257,012
Total Regulatory Capital Base	<hr/> 5,979,533	<hr/> 5,929,981

* 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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



39.3 Capital Adequacy

The main objective of the capital management is to improve financial position and to 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 depositor's 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 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 account consideration prevailing economic and political factors in Pakistan and abroad.

SBP sets and monitors capital requirements for the banks. In implementing current capital requirements SBP requires banks to maintain a prescribed ratio of 9% of total capital to total risk weighted assets.

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 Sukuk (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 last meeting held on October 2008 has reaffirmed in principal commitment to meet the increased capital requirement of the Bank over next five years.

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



Credit Risk

Portfolios subject to standardised approach

Portfolios subject to on-balance sheet exposure
(Simple approach)

	Capital requirements	Risk weighted assets	
	2008	2007	2008
	Unaudited	Unaudited	Unaudited
Rupees in '000			
Banks	309,117	158,943	3,863,962
Corporate	2,416,014	2,081,064	20,013,297
Retail	124,296	126,221	1,553,695
Residential mortgage	107,012	93,705	1,337,649
Past due loans	89,774	29,332	1,122,177
Investments	170,187	595,710	2,127,335
Fixed assets	150,441	82,637	1,880,515
All other assets	329,947	428,043	1,986,787

Portfolios subject to off-balance sheet exposure - non market related (Simple approach)

Banks	5,383	1,169	67,288	14,612
Corporate	253,322	464,394	3,166,524	5,804,929
Retail	-	(415)	-	(5,186)
Others	-	-	-	-

Portfolios subject to off-balance sheet exposures - market related (Current exposure method)

Banks	4,846	3,881	60,573	48,509
Customers	7,260	13,898	90,749	173,723

Market Risk

Capital Requirement for portfolios subject to Standardised Approach

Interest rate risk	363,167	-	4,539,587	-
Equity position risk	136,450	77,716	1,705,623	971,451
Foreign exchange risk	4,538	21,822	56,719	272,775

Operational Risk

Capital Requirement for operational risk

296,591	198,536	3,707,387	2,481,706
4,768,345	4,376,656	59,604,294	54,708,194

2008 2007

Rupees in '000

Capital Adequacy Ratio

Total eligible regulatory capital held	(a)	5,979,533	5,929,981
Total Risk Weighted Assets	(b)	59,604,294	54,708,194
Capital Adequacy Ratio	(a) / (b)	10.03%	10.84%

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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, 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 committees which are as follows:

Name of the committee	Chaired by
Credit committee	President & CEO
Asset and liability management committee (ALCO)	President & CEO

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

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

The Bank's risk management, compliance, internal audit and legal departments support the risk management function. The role of the risk management department is to quantify the risk and ensure the quality and integrity of the Bank's risk-related data.

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

40.1 Credit risk

Bank takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of Credit Risk Mitigation (CRM) resulted in the total credit risk weight amount of Rs. 49,594.979 million where as in the absence of benefit of CRM this amount would have been Rs. 52,617.303 million.

Thus, use of CRM resulted in improved capital adequacy ratio of the Bank from 9.55 % (without CRM) to 10.03 % (with CRM).

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



40.1.1 Segmental information

40.1.1.1 Segment by class of business

	2008					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	71,839	0.18	327,862	0.47	102,855	0.18
Textile	10,766,001	26.34	1,671,993	2.38	10,730,049	19.02
Automobile and transportation equipment	985,293	2.41	73,440	0.10	1,031,389	1.83
Financial institutions	50,000	0.12	818,714	1.17	16,256,878	28.82
Insurance	-	0.00	51,090	0.07	1,090	0.00
Electronics and electrical appliances	863,181	2.11	115,731	0.16	1,108,186	1.96
Construction	1,298,626	3.18	422,818	0.60	1,260,622	2.23
Power (electricity), gas and water	2,039,147	4.99	22,951	0.03	1,705,351	3.02
Exports / imports	2,218,373	5.43	618,004	0.88	2,681,275	4.75
Transport, storage and communication	156,697	0.38	444,536	0.63	467,677	0.83
Chemical and pharmaceuticals	2,882,516	7.05	490,665	0.70	3,293,820	5.84
Sugar	627,883	1.54	79,453	0.11	388,903	0.69
Footwear and leather garments	1,172,873	2.87	194,247	0.28	1,265,536	2.24
Wholesale and retail trade	4,706,451	11.52	3,968,200	5.65	2,834,284	5.02
Cement	1,864,739	4.56	218,104	0.31	1,083,118	1.92
Services	786,926	1.93	2,634,262	3.75	686,204	1.22
Individuals	7,653,929	18.73	48,696,479	69.34	4,260,370	7.56
Others	2,722,196	6.66	9,385,326	13.37	7,253,488	12.87
	40,866,670	100.00	70,233,875	100.00	56,411,095	100.00

40.1.1.2 Segment by sector

	2008					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	-	-	-	-	-	-
Private	40,866,670	100	70,233,875	100	56,411,095	100
	40,866,670	100	70,233,875	100	56,411,095	100

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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

	2008	2007		
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Agriculture, forestry, hunting and fishing	13,576	11,076	13,576	11,076
Textile	736,817	384,411	195,623	180,190
Chemical and pharmaceuticals	-	-	-	-
Cement	50,825	15,348	3,523	1,761
Sugar	150,000	37,500	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	463,611	245,791	47,307	19,455
Electronics and electrical appliances	-	-	-	-
Construction	24,000	6,103	-	-
Power (electricity), gas and water	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial institutions	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	181,639	79,277	105,057	40,021
Others	439,640	215,243	188,253	126,994
	2,060,108	994,749	553,339	379,497

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

	2008	2007		
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	2,060,108	994,749	553,339	379,497
	2,060,108	994,749	553,339	379,497

40.1.1.5 Geographical segment analysis

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitment
	Rupees in '000			
Pakistan	992,311	85,276,070	5,974,978	56,411,095
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	992,311	85,276,070	5,974,978	56,411,095

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



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 & 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

2008			
Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	□	□	-
Banks	□	□	S & P, FITCH and MOODY'S

Credit Exposure subject to standardized approach

2008				
Rupees in '000				
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-
	20%	2,656,216	-	2,656,216
	50%	1,969,281	-	1,969,281
	100%	1,134,506	-	1,134,506
	150%	-	-	-
Retails	Unrated	28,499,097	949,314	27,549,783
	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	3,445,499	1,373,905	2,071,594
Total		37,704,599	2,323,219	35,381,380

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.

Notes to and forming part of the Financial Statements

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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 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 takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardised approach for on-balance sheet exposures, the corporate portfolio of Rs. 34,259.100 million is subject to the CRM of Rs. 949.314 million whereas a claim on retail portfolio of Rs. 3,445.499 million is subject to CRM of Rs. 1,373.905 million. The total benefit of Rs. 2,323.219 million was availed through CRM against total on-balance sheet exposure of Rs. 74,721.275 million.

Under off-balance sheet, non-market related exposures, the corporate portfolio of Rs. 13,119.028 million is subject to the CRM of Rs. 1,042.632 million whereas a claim on retail portfolio of Rs. 11.306 million is subject to CRM of Rs. 11.306 million. Total benefit of Rs. 1,053.938 million was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs. 13,524.418 million. In year 2008, total amount of cash collateral used for CRM purposes was Rs. 3,377.157 million as against amount of Rs. 3,579.349 million in year 2007. 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

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	151,096	701,716	2,020,161
Equity investments - unquoted	-	897	337,330
Total value	151,096	702,613	2,357,491

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During the year realised gain of Rs.46.173 million (2007: Rs.527.905 million) and unrealised loss of Rs. 385.765 million (2007: Rs. 31.453 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. 288.884 million (2007: Rs. 0.878 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 Bank applies Stress Testing and Value at Risk (VaR) techniques as risk management tool; Stress testing enables the Bank to estimate changes in the value of the portfolio, if exposed to various risk factor. VaR quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

40.3.1 Foreign exchange risk

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

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

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan rupees	82,696,703	77,981,593	1,230,795	5,945,905
United States dollars	2,415,715	1,062,376	(1,331,509)	21,830
Great Britain pounds	87,875	176,421	80,299	(8,247)
Japanese yen	8,044	-	-	8,044
Euro	40,889	80,702	20,415	(19,398)
Singapore dollars	5,257	-	-	5,257
Australian dollars	788	-	-	788
Canadian dollars	19,704	-	-	19,704
United Arab Emirates Dirham	928	-	-	928
Swiss francs	167	-	-	167
	85,276,070	79,301,092	-	5,974,978

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 behavior 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, 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.

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.

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



40.3.4 Mismatch of yield rate sensitive assets and liabilities

Effective yield rate %	Total	2008										Non-yield bearing financial Instruments	
		Over 1 Upto 1 Month		Over 3 to 5 Months		Exposed to yield risk Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years			
		Over 1 to 5 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 5 to 10 Years	Over 5 to 10 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	14,286,949	-	-	-	-	-	395,493	7,475,829	3,485,500	-	2,930,127	
Financings	12.22	39,768,481	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	104,888	
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	70,233,875	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	-	1,084,764	-	-	-	-	-	-	-	-	-	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	-	25,405,287	
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		5,974,978											
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		

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



Effective yield rate %	Total	2007										Non-yield bearing financial Instruments	
		Exposed to yield risk											
		Over 1 Month	Over 3 Months	Over 6 Months	Over 1 Year	Over 2 Years	Over 3 Years	Over 5 Years	Over 5 to 10 Years	Above 10 Years			
Rupees in '000													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	-	5,644,028	-	-	-	-	-	-	-	-	-	5,644,028	
Balances with other banks	4.84	3,729,549	3,285,033	-	-	-	-	-	-	-	-	444,516	
Due from financial institutions	9.98	8,850,000	2,450,000	4,860,000	1,540,000	-	-	-	-	-	-	-	
Investments	10.45	10,535,186	-	-	-	-	434,000	37,200	4,855,520	1,750,000	-	3,458,466	
Financings	11.25	34,576,339	6,075,364	8,110,204	6,618,139	1,755,058	2,076,559	3,568,609	2,646,992	971,848	2,642,655	110,951	
Other assets	-	1,663,556	-	-	-	-	-	-	-	-	-	1,663,556	
		64,998,658	11,810,397	12,970,204	8,158,139	1,755,038	2,510,559	3,605,809	7,502,512	2,721,848	2,642,655	11,321,497	
Liabilities													
Bills payable	-	1,192,160	-	-	-	-	-	-	-	-	-	1,192,160	
Due to financial institutions	6.95	2,415,606	59,419	1,301,799	1,023,481	-	-	-	-	-	-	30,907	
Deposits and other accounts	5.01	54,582,353	11,540,042	13,469,815	3,237,155	3,882,996	1,754,683	1,949,970	1,484,817	4,627,124	-	12,635,751	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	-	956,460	143,147	241,423	40,518	382,089	21,659	42,194	20,754	64,676	-	-	
		59,146,579	11,742,608	15,013,037	4,301,154	4,265,085	1,776,342	1,992,164	1,505,571	4,691,800	-	13,858,818	
On-balance sheet gap		5,852,079	67,789	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655	(2,537,521)	
Non Financial Assets													
- Operating fixed assets		1,032,963											
- Other assets		1,146,938											
		2,179,901											
Non Financial Liabilities													
- Deferred taxation		(430,377)											
- Other liabilities		(1,894,947)											
		(2,325,324)											
Total Net Assets		<u>5,706,656</u>											
Off-balance sheet financial instruments													
Forward Lending	-	-	-	-	-	-	-	-	-	-	-	-	
Forward borrowings	-	-	-	-	-	-	-	-	-	-	-	-	
Off - balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	
Total yield profit risk sensitivity gap		67,789	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655	(2,537,521)		
Cumulative yield / profit risk sensitivity gap		67,789	(1,975,044)	1,881,941	(628,106)	106,111	1,719,756	7,716,697	5,746,745	8,589,400	5,852,079		

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

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

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

40.4 Liquidity risk

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

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

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



40.4.1 Maturities of Assets and Liabilities

	2008									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in 000										
Assets										
Cash and balances with treasury banks	5,763,710	5,763,710	-	-	-	-	-	-	-	-
Balances with other banks	1,544,974	1,344,974	-	-	-	-	-	-	-	-
Due from financial institutions	18,108,000	8,240,000	9,650,000	218,000	-	-	-	-	-	-
Investments	14,286,949	35,766	9,250	1,290,005	207,452	758,097	4,802,215	2,443,958	2,815,000	1,925,206
Financings	39,768,481	5,469,516	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	552,677	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	453,155	482,356	478,155	453,058	-
Deferred tax liabilities	453,058	-	-	-	-	-	-	-	-	-
	79,501,092	18,572,044	17,523,430	11,172,725	10,854,888	6,000,660	5,876,625	4,151,058	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 on revaluation of investments	(366,119)									
	5,974,978									
Rupees in 000										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months To 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in 000										
Assets										
Cash and balances with treasury banks	5,644,028	5,644,028	-	-	-	-	-	-	-	-
Balances with other banks	3,729,549	3,729,549	-	-	-	-	-	-	-	-
Due from financial institutions	8,850,000	2,450,000	4,860,000	1,540,000	-	-	-	-	-	-
Investments	10,535,186	485,719	2,500	2,052,821	-	434,000	37,200	4,855,520	2,338,827	328,599
Financings	34,576,539	5,946,769	8,110,448	6,618,762	1,755,873	2,079,165	3,582,681	2,686,894	984,228	2,811,519
Other assets	2,810,494	962,354	1,369,601	158,126	40,140	47,530	81,901	74,070	22,500	54,272
Operating fixed assets	1,032,963	-	-	-	-	-	-	397,785	-	635,178
	67,178,559	19,218,419	14,342,549	10,569,709	1,796,013	2,560,695	3,701,782	8,014,269	3,545,555	3,829,568
Liabilities										
Bills payable	1,192,160	1,192,160	-	-	-	-	-	-	-	-
Due to financial institutions	2,415,606	90,326	1,301,799	1,023,481	-	-	-	-	-	-
Deposits and other accounts	54,582,553	14,682,138	15,669,850	5,426,590	6,074,358	3,211,094	3,406,382	1,484,817	4,627,124	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance leases	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,851,407	155,589	305,603	98,704	521,293	454,902	728,127	508,001	79,188	-
Deferred tax liabilities	430,377	-	-	-	-	-	-	430,377	-	-
	61,471,903	16,120,215	17,277,252	6,548,775	6,595,651	3,665,996	4,154,509	2,425,195	4,706,512	-
Net assets	5,706,656	3,098,206	(2,954,705)	3,820,934	(4,799,638)	(1,105,501)	(432,727)	5,591,074	(1,360,757)	3,829,568
Share capital	3,779,897									
Reserves	720,785									
Unappropriated profit	1,219,228									
Deficit on revaluation of investments	(13,254)									
	5,706,656									

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



40.5 Operational risk

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 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
Note	Component	Note	Component		
27.3	Administrative expenses - Auditor's remuneration	27.2	Administrative expenses - Legal and professional charges	For better presentation	2,600,000
27.2	Administrative expenses - Legal and professional charges	27.3	Administrative expenses - Auditor's remuneration	For better presentation	350,000
27	Administrative expenses - Local transportation and car running	27	Administrative expenses - Rent, electricity, taxes insurance, etc.	For better presentation	7,832,338
27	Administrative expenses - Local transportation and car running	27	Administrative expenses - Security charges	For better presentation	8,975,312
27	Administrative expenses - Others	27	Administrative expenses - Repairs and maintenance	For better presentation	8,677,080
27	Administrative expenses - Repairs and maintenance	27	Administrative expenses - Hardware and software maintenance	For better presentation	398,538
27	Administrative expenses - Others	27.1	Administrative expenses - Service charges	For better presentation	638,784
27	Administrative expenses - Others	27	Administrative expenses - Takaful and tracker expenses on Ijarah	For better presentation	1,744,311

42. DATE OF AUTHORISATION

These financial statement were authorised for issue on February 20, 2009 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

Mohammed
Azzaroog Rajab
Director

Notes to and forming part of the Financial Statements

For the year ended December 31, 2008



Annexure -1

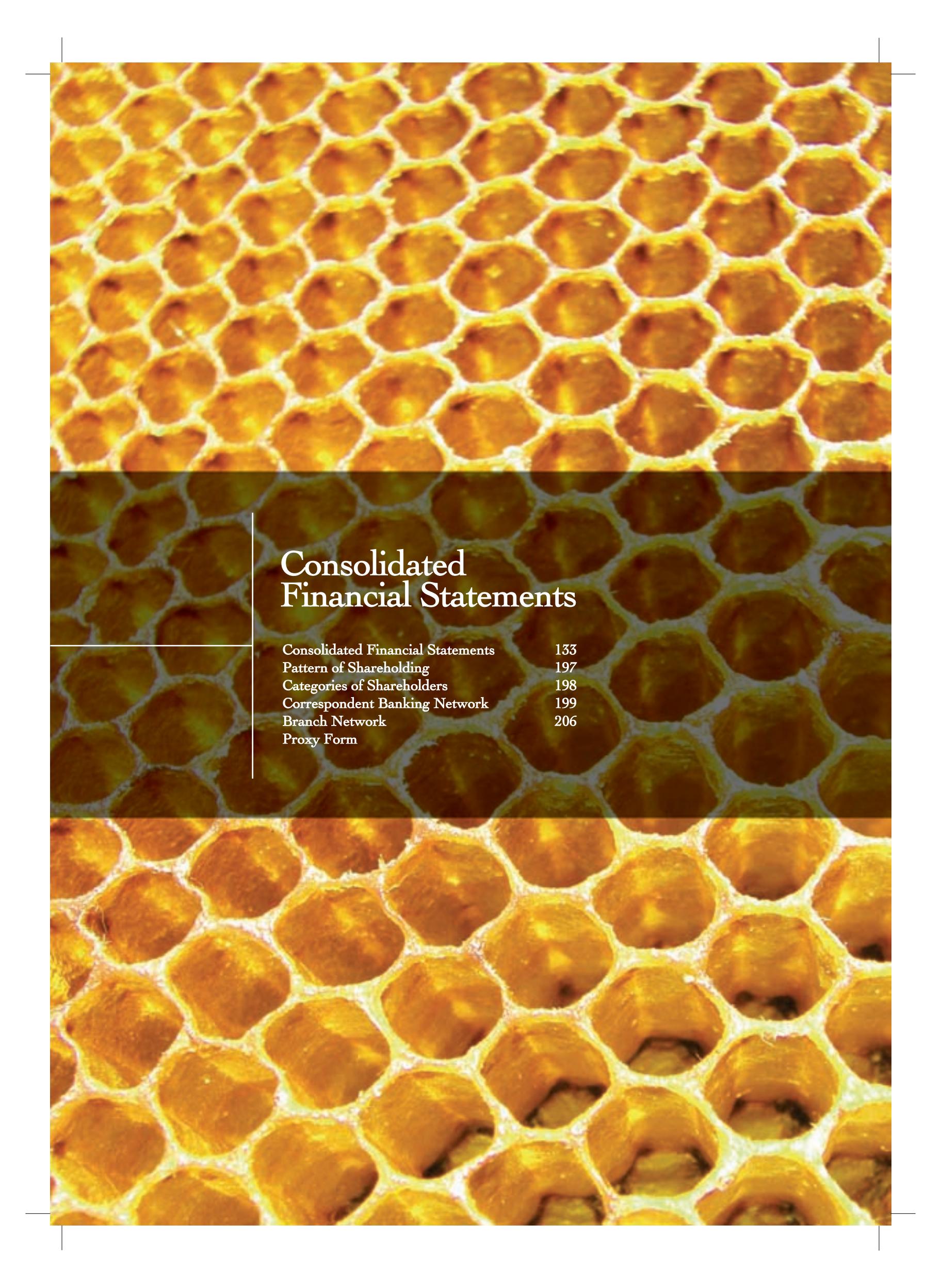
Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2008

Rupees in '000

S. No.	Name and address of the borrower	Name of director (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off	Other fin- ancial relief provided	Total (9+10+11)
				Principal	Profit	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Al Mashriq Enterprises	Arshad Ali Sheikh (NIC No. 244-52-746106)	Sheikh Tajdin	3,520	1,832	350	5,703	3,520	1,832	350	5,703



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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 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 11 branches, which have been audited by us. The financial statements of the subsidiary company, Al Meezan Investment Management Limited and financial statements of subsidiary's controlled fund were respectively reviewed by us and another auditor in accordance with the International Standard on Review Engagements 2410 and our opinion in so far as it relates to the amounts included for the subsidiary company, and subsidiary's controlled fund, is based solely on our and other auditors review report respectively.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of Meezan Bank Limited and its subsidiary company as at 31 December 2008 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Date: 20 FEB 2009

Karachi

Taseer Hadi S

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.

Consolidated Balance Sheet

As at December 31, 2008



	Note	2008	2007
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	5,763,788	5,644,137
Balances with other banks	8	1,365,777	3,763,608
Due from financial institutions	9	18,108,000	8,850,000
Investments	10	14,569,918	11,361,830
Financings	11	39,768,481	34,575,680
Operating fixed assets	12	1,898,530	1,049,376
Other assets	13	4,330,436	3,016,556
		85,804,930	68,261,187
LIABILITIES			
Bills payable	14	1,057,017	1,192,160
Due to financial institutions	15	4,133,496	2,565,606
Deposits and other accounts	16	70,231,950	54,580,452
Sub-ordinated loan		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities	17	409,340	453,131
Other liabilities	18	3,622,176	2,922,022
		79,453,979	61,713,371
NET ASSETS		6,350,951	6,547,816
REPRESENTED BY			
Share capital	19	4,925,961	3,779,897
Reserves	20	869,338	745,101
Unappropriated profit		717,684	1,774,988
		6,512,983	6,299,986
Minority interest	22	204,087	261,084
Deficit on revaluation of investments	21	6,717,070	6,561,070
		(366,119)	(13,254)
		6,350,951	6,547,816
CONTINGENCIES AND COMMITMENTS	23		

The investments in equity securities held as 'Available for Sale' are valued at prices quoted on the stock exchange as of December 31, 2008 and the resulting decline in market value below cost is reported in the 'Deficit on revaluation of available for sale securities'. Had the impairment loss been charged to Consolidated profit and loss account, the Deficit on revaluation of Available for Sale securities would have been lower by Rs. 357.239 million with consequential effect on 'un-appropriated profit' (see note 3.1.2).

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

Mohammed
Azzaroog Rajab
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2008



	Note	2008 Rupees in '000	2007
Profit / return earned on financings, investments and placements	24	6,807,441	4,574,444
Return on deposits and other dues expensed	25	3,088,173	2,451,450
Net spread earned		3,719,268	2,122,994
Provision against non-performing financings (net)	11.7	428,436	435,018
Provision for diminution in value of investments and impairment	10.11	288,884	-
Bad debts written off directly		-	-
Net spread after provisions		717,320	435,018
		3,001,948	1,687,976
OTHER INCOME			
Fee, commission and brokerage income		706,326	554,164
Dividend income		125,048	112,119
Income from dealing in foreign currencies		304,692	392,319
Capital gain / (loss) on sale of investments - net	26	37,903	570,699
Unrealised loss on held for trading investments	10.9	(22,981)	(24,895)
Impairment on reclassification of securities from held for trading to available for sale securities	10.3.2	(362,751)	-
Other income	27	109,361	37,932
Total other income		897,598	1,642,338
		3,899,546	3,330,314
OTHER EXPENSES			
Administrative expenses	28	2,742,267	1,874,284
Other provisions / write offs	13.5 & 18.2	86,263	5,948
Other charges	29	20,034	2,884
Total other expenses		2,848,564	1,883,116
Share of results of associates before taxation		1,050,982	1,447,198
Extraordinary / unusual items		(527,679)	62,245
PROFIT BEFORE TAXATION		523,303	1,509,443
Taxation - Current		523,303	1,509,443
- Prior years		377,422	329,282
- Deferred		-	(7)
		(10,119)	56,117
PROFIT AFTER TAXATION		367,303	385,392
Share of loss / (profit) attributable to minority interest		156,000	1,124,051
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		56,997	(75,220)
Unappropriated profit brought forward		212,997	1,048,831
Profit before appropriations		1,774,988	761,147
		1,987,985	1,809,978
Basic and diluted earnings per share	31	Rupees 0.43	Restated 2.13

The impairment loss on equity securities held as 'Available for Sale' has been reported in Deficit on revaluation of Available for Sale securities. In case the impairment loss was charged to Consolidated Profit and Loss Account, profit for the year would have been lower by Rs. 366.279 million and earnings per share would have been lower by Rs. 0.74. (See note 3.1.2)

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

Mohammed
Azzaroog Rajab
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2008



	Note	2008	2007
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		523,303	1,509,443
Less: Dividend income		(125,048)	(112,119)
		398,255	1,397,324
Adjustments for non-cash charges			
Depreciation		216,327	130,746
Amortisation		22,499	14,747
Provision against non-performing financings (net)		428,436	435,018
Provision for diminution in the value of investments			
- on associates - listed		287,046	-
- on associates - unlisted		1,838	-
Loss on reclassification of securities from held for trading to available for sale securities		362,751	-
Gain on sale of fixed assets		(14,616)	(6,080)
Gain on securities with deferred purchase commitments		(17,795)	-
Income on SEBIS		(20,381)	-
Deferred Bonus		5,881	-
Financial charges		18,043	-
Share in results of associates		527,679	(62,245)
Unrealised loss on held for trading investments		22,981	24,895
		1,840,689	537,081
		2,238,944	1,934,405
(Increase) / decrease in operating assets			
Due from financial institutions		(9,258,000)	(5,150,000)
Held for trading securities		(164,275)	(34,459)
Financings		(5,619,919)	(7,981,120)
Other assets		(1,284,192)	(912,278)
		(16,326,386)	(14,077,857)
Increase / (decrease) in operating liabilities			
Bills payable		(135,143)	628,932
Due to financial institutions		1,567,890	(1,719,606)
Deposits and other accounts		15,651,498	20,156,516
Other liabilities		373,955	872,035
		17,458,200	19,937,877
Financial charges paid		3,370,758	7,794,425
Income tax paid		(17,018)	-
Net cash flow from operating activities		(68,491)	(78,672)
		3,285,249	7,715,753
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in			
- held to maturity securities		(114,129)	(300,652)
- available for sale securities		(4,196,312)	(6,336,195)
- listed associated undertakings		(451,367)	(1,166,600)
- unlisted associated undertakings		-	5,812
Dividends received		271,748	109,519
Investments in operating fixed assets		(1,105,791)	(655,296)
Sale proceeds of property and equipment disposed off		32,426	9,589
Net cash flow from investing activities		(5,563,425)	(8,333,823)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(4)	-
Net (decrease) in cash and cash equivalents		(2,278,180)	(618,070)
Cash and cash equivalents as at January 1	32	9,407,745	10,025,815
Cash and cash equivalents as at December 31	32	7,129,565	9,407,745

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

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Consolidated Statement of Changes in Equity

For the year ended December 31, 2008



	Share capital	Statutory reserve	Capital reserves Reserve for issue of bonus shares	Revenue reserves General reserve	Unappropriated profit	Minority Interest	Total
Rupees in '000							
Balance as at January 01, 2007	3,779,897	461,319	-	91,082	918,857	185,864	5,437,019
Profit after taxation for the year	-	-	-	-	1,124,051	-	1,124,051
Share of profit attributable to minority interest	-	-	-	-	(75,220)	75,220	-
Transfer to statutory reserve	-	192,700	-	-	(192,700)	-	-
Balance as at December 31, 2007	3,779,897	654,019	-	91,082	1,774,988	261,084	6,561,070
Profit after taxation for the year	-	-	-	-	156,000	-	156,000
Share of loss attributable to minority 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

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

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Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding Company

- Meezan Bank Limited

Subsidiary Company

- Al Meezan Investment Management Limited

Subsidiary's controlled fund

- Meezan Tahaffuz Pension Fund

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

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

MBL was operating through one hundred sixty six branches (including thirty five sub branches) as at December 31, 2008 (2007: one hundred branches). Its registered office is situated at 3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi.

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

Meezan 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 76.56%, 88.53% and 97.13% 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.	13.44	2.07	15.52
Al Meezan Mutual Fund Limited (AMMF)	Pakistan	Formed under the Investment Companies and Investment Advisor Rules, 1971. A closed end mutual fund.	4.04	10.97	15.01
Blue Water (Private) Limited (BWL)	Pakistan	Business of purchase and sale of land.	30	13	43
Falcon Greenwood (Private) Limited (FGL)	Pakistan	Business of purchase and sale of land.	25	-	25

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



Entity / fund	Country of incorporation / domicile	Nature of business	Direct holding %	Indirect holding %	Effective holding %
Faysal Management Services (Private) Limited (FMSL)	Pakistan	Floatation and management of modarabas under Modarabas Companies and Modarabas (Floatation and Control) Ordinance, 1980.	30	-	30
Plexus (Private) Limited	Pakistan	Business of development and export of IT enabled services and internet solutions.	50	-	50
Meezan Capital Protected Fund	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

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, 2008 and the condensed interim financial statements of AMIML for the six months period ended December 31, 2008 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, 2008 the results for the period January 1 to June 30, 2008 have been calculated from the audited financial statements of AMIML for the year ended June 30, 2008 after eliminating the results for the six months period ended December 31, 2007. Certain disclosures relating to AMIML as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2008.

For consolidation of MTPF, condensed interim financial statements of MTPF for the period ended December 31, 2008 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
Al-Meezan Mutual Fund Limited (AMMFL)	Financial statements for the half year ended December 31, 2008 and 2007, unaudited but subject to limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2008.
Blue Water (Private) Limited (BWL)	Unaudited financial statements for the period ended December 31, 2008 and 2007 and audited financial statements for the year ended June 30, 2008.
Falcon Greenwood (Private) Limited (FGL)	Unaudited financial statements for the period ended December 31, 2008 and 2007 and audited financial statements for the year ended June 30, 2008.
Faysal Management Services (Private) Limited (FMSL)	Audited financial statements for the year ended December 31, 2008.
Meezan Islamic Fund (MIF)	Financial statements for the period ended December 31, 2008 and 2007, unaudited but subject to limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2008.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



Meezan Balanced Fund (MBF)

Financial statements for the half year ended December 31, 2008 and 2007, unaudited but subject to limited review by its statutory auditors and audited financial statements for the year ended June 30, 2008.

Plexus (Private) Limited

Unaudited financial statements for the half year ended December 31, 2008 and 2007 and audited financial statements for the year ended June 30, 2008.

Meezan Capital Protected Fund

Financial statements for the period ended December 31, 2008, unaudited but subject to limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2008.

Meezan Islamic Income Fund (MIIF)

Financial statements for the period ended December 31, 2008 and 2007, unaudited but subject to limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2008.

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

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 01, 2009:

Revised IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after January 01, 2009) introduces the term total comprehensive income, which represents changes in equity during the year other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effective after discussions with the regulators.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after January 01, 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Group's financial statements.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28, 2008). The Bank does not have any operations in Hyperinflationary Economies and therefore, the application of the standard is not likely to have an effect on the Group's financial statements.

Amendments to IAS 32 - Financial Instruments: Presentation and **IAS 1 Presentation of Financial Statements** (effective for annual periods beginning on or after January 01, 2009) Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Group's financial statements.

Amendment to IFRS 2 - Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 01, 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Group's financial statements.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 01, 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 01, 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 an effect on the Group's financial statements.

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The standard would be applied when IAS 39 - Financial Instruments - Recognition and Measurement becomes applicable for MBL and would require significant increase in disclosure.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after January 01, 2009) introduces the "Management Approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "Chief Operating Decision Maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments. This standard will have no effect on the Group's reported total profit or loss or equity.

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after July 01, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an 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 01, 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.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 01, 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation, an accounting policy choice, to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Group's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2009 financial statements. These amendments are unlikely to have an impact on the Group's financial statements:

IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after January 01, 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Group's financial statements.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



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.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 01, 2009) specify that: if an entity is committed to a sale plan involving the loss of control of 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 paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Group's financial statements.

IFAS 2 - Islamic Financial Accounting Standard - 2 "Ijarah" (effective for annual period begining on or after January 01, 2009).

2.2 Basis of consolidation

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

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

Minority interest is that part of the net results of operations and of net assets of the subsidiary attributable to interest which are not owned by MBL.

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

3. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

- (a) Critical judgment in classification of investments in accordance with the Group's policy (notes 6.4.1, 6.4.2 and 10).
- (b) Provision for non-performing financings (notes 3.2.1 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 3.1.2 & 6.4.7).
- (e) Staff retirement benefits (notes 6.8, 6.9 and 34).
- (f) Depreciation and amortization methods of operating fixed assets (note 6.5.3 and 12).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.1.1, 6.7, 17, 23.10 and 30).
- (h) Measurement of share based payments (note 6.18, 18.4 and 23.9)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



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** During 2007, a new schedule was introduced for taxation of Banks in Pakistan and this schedule will be applicable for taxation of bank's income for the year ended December 31, 2008. According to the provisions of this schedule, provision for doubtful loans and advances falling under the category of "Doubtful" or "Loss" was to be allowed as a deduction in the year in which the provision is made. However, through an amendment in the Finance Act, 2008 the allowance for bad debts has been restricted to actual write-offs and in case of consumer advances provision equivalent to 3% of consumer revenue will continue to apply. The schedule is applicable for financial year ended December 31, 2008. The schedule does not contain transitory provisions with respect to Ijarah and other provisions treated differently before the applicability of the new schedule. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on the discussion to date the Bank's management is confident that such provisions will be made in the new schedule. Accordingly, the deferred tax calculations assume that such transitory rules will be made and the Bank will be able to get the benefit of the asset so recognised.
- 3.1.2** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "floor mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan vide BSD Circular Letter No. 02 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has provided to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognised as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment / effect for price movements shall be taken to Profit and Loss account on quarterly basis during the year ending December 31, 2009. The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39), although not applicable for banks in Pakistan is the only standard dealing with impairment of financial instruments and it requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Consolidated Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore, recognition of impairment for "Available for Sale" equity securities through Consolidated Profit and Loss account will not reflect the correct financial performance of the Group.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have had the following effect on these consolidated financial statements:

	2008 Rs. in '000
Increase in 'impairment loss' in Consolidated Profit and Loss Account	396,932
Decrease in deferred tax charge for the year	11,907
Decrease in profit for the year	305,638
Decrease in earnings per share	0.62
Decrease in deficit on revaluation of available for sale securities	396,932
Decrease in unappropriated profit	305,638

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



3.2 Effect Of Change In Accounting Estimate

- 3.2.1 During the year, MBL, in line with the requirements of BSD Circular No.2 of 2009, issued by the State Bank of Pakistan, changed its method of measuring provision against non performing financings whereby 30% of forced sale value of pledged stocks and mortgaged commercial and residential properties held as collateral is considered in determining the provision. Had there been no change, the provision against non performing financing would have been higher by Rs.153.157 million and financing would have been lower by Rs. 153.157 million. 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 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 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.
- 4.3 The Securities and Exchange Commission of Pakistan has notified for adoption of "Islamic Financial Accounting Standard 2 - Ijarah (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan which was applicable for accounting periods beginning January 1, 2008. Consequent to the issuance of IFAS-2, the State Bank of Pakistan (SBP) through its IBD circular No.1 of 2009, dated January 27, 2009, has deferred the implementation of IFAS-2 from accounting period beginning January 01, 2009. Accordingly, the requirements of this standard has 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 Cash and cash equivalents

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

6.2 Revenue recognition

- i) Profit on Murabaha and commodity Murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.
- ii) The Group follows the finance method in recognising income on Ijarah contracts. 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



- iii) 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.
- iv) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- v) Profit on Tijarah and Istisna financings are recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds.
- vi) 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.
- vii) Dividend income is recognised when the Group's right to receive dividend is established.
- viii) 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.
- ix) Advisory fee and commission income are recognized as and when services are provided. Performance fee related to advisory services are recorded on confirmation.
- x) Remuneration from Al Meezan Mutual Fund and Meezan Balance Fund is recognised on the basis of average annual net assets of the funds, calculated on a monthly basis.
- xi) Remuneration from Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund and Meezan Capital Protected Fund - 1 is recognised on the basis of net assets value of the funds, calculated on a daily basis.
- xii) Profits on bank deposits are recorded on accrual basis.
- xiii) Return on term finance certificate is recognised on accrual basis.
- xiv) Sales load is recognised on accrual basis.

6.3 Financings

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

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

6.3.2 Provision against non-performing financings

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

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

6.4 Investments

6.4.1 MBL classifies its investments as follows:

- **Held for trading**

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

- **Held to maturity**

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

- **Available for sale**

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

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6.4.2 AMIML values its investments as follows:

- Financial assets at fair value through profit or loss

This category has two sub-categories: 'financial assets held for trading', and those designated at 'fair value through profit or loss' at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the management.

Since the financial assets classified by AMIML as 'investments at fair value through profit or loss' are of the same nature as that of financial assets classified as 'held for trading' by MBL, the two categories have been classified as 'held for trading' in these consolidated financial statements.

- Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

6.4.3 Investments are valued as follows:

- Quoted securities, excluding investments 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.

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

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

6.4.6 Cost of investment is determined on moving average basis.

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

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

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

6.5 Operating fixed assets

6.5.1 Tangible assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment.

Items of fixed assets costing Rs. 10,000 or less are not capitalised 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.

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6.5.2 Intangible assets

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

6.5.3 Depreciation / amortisation

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

6.5.4 Capital work-in-progress

Capital work-in-progress is stated at cost.

6.5.5 Useful lives and residual values

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

6.5.6 Maintenance and normal repairs

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

6.5.7 Impairment

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

6.6 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.

6.7 Taxation

Current

The Group's charge for taxation is based on expected taxable income for the year at current rates of taxation, and any adjustments to tax payable in respect of previous years, after taking into consideration available tax credits, rebates, tax losses, etc.

Deferred

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

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

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

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6.8 Staff retirement benefits

Defined benefit plan

The MBL operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying eligible service of three years. In case of MBL the scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2008. 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, both the respective entities and the employees, to the fund at a rate of 10% of basic salary.

6.9 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, 2008 for MBL, and as at June 30, 2008 for AMIML, on the basis of Projected Unit Credit method.

6.10 Dividend and reserves

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

6.11 Foreign currency transactions

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

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

6.13 Offsetting

Financial assets and financial liabilities are offset by the Group and the net amount reported in the balance sheet when there is a legally enforceable right to set off the 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.

Notes to and forming part of the Consolidated Financial Statements

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6.14 Segment reporting

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

6.14.1 Business segment

Corporate Finance

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

Trading and Sales

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

Retail Banking

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

Commercial Banking

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

Agency Services

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

Payment and Settlement

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

6.14.2 Geographical segments

The Group operates only in Pakistan.

6.15 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 the 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.

6.16 Fiduciary assets

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

6.17 Transactions involving financial instruments sold on deferred settlement basis

AMIML 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 by AMIML 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'.

6.18 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



7. CASH AND BALANCES WITH TREASURY BANKS

	Note	2008	2007
		Rupees in '000	
In hand			
- local currency		2,249,499	1,108,792
- foreign currencies		486,137	291,322
With the State Bank of Pakistan in			
- local currency current accounts	7.1	2,078,381	3,727,507
- foreign currency current accounts	7.1	444,936	325,499
With the National Bank of Pakistan in			
- local currency current accounts		504,835	191,017
		<u>5,763,788</u>	<u>5,644,137</u>

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

8. BALANCES WITH OTHER BANKS

	Note	2008	2007
		Rupees in '000	
In Pakistan			
- on current accounts		216,704	134,542
Outside Pakistan			
- on current accounts		295,976	344,033
- on deposit accounts	8.1	853,097	3,285,033
		<u>1,365,777</u>	<u>3,763,608</u>

8.1 The return on these balances ranges from 1.70% to 5.10% (2007: 4.30% to 5.32%) per annum.

9. DUE FROM FINANCIAL INSTITUTIONS

Commodity Murabaha		18,108,000	8,850,000
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9.1 The average return on these commodity Murabahas is 15.64% (2007: 9.98%) per annum.

9.2 Particulars of due from financial institutions

In local currency		18,108,000	8,850,000
In foreign currency		-	-
		<u>18,108,000</u>	<u>8,850,000</u>

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10. INVESTMENTS

	Note	2008			2007		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
		Rupees in '000					
10.1 Investments by types							
Held for trading securities	10.3	182,710	-	182,710	540,262	-	540,262
Available for sale securities	10.4	10,743,499	-	10,743,499	6,547,187	-	6,547,187
Held to maturity securities	10.5	1,735,329	-	1,735,329	1,621,200	-	1,621,200
		12,661,538	-	12,661,538	8,708,649	-	8,708,649
In related parties							
Associates (listed)	10.6	2,066,930	-	2,066,930	2,418,654	-	2,418,654
Associates (unlisted)	10.7	268,810	-	268,810	277,263	-	277,263
Investment at cost / carrying value		14,997,278	-	14,997,278	11,404,566	-	11,404,566
Less: Provision for diminution in value of investments and impairment	10.8	(2,425)	-	(2,425)	(2,425)	-	(2,425)
Investments (net of provision)		14,994,853	-	14,994,853	11,402,141	-	11,402,141
Deficit on revaluation of held for trading securities	10.9	(22,981)	-	(22,981)	(24,895)	-	(24,895)
Deficit on revaluation of available for sale securities	21	(401,954)	-	(401,954)	(15,416)	-	(15,416)
Total investments at market value		14,569,918	-	14,569,918	11,361,830	-	11,361,830

	Note	2008		2007	
		Rupees in '000			
10.2 Investments by segments					
Fully paid up ordinary shares					
- Listed companies			1,119,533		1,066,667
- Unlisted companies			124,367		130,983
Preference shares			144,443		146,280
Global Sukuk Bonds			980,822		781,200
WAPDA First Sukuk Certificates			1,150,000		1,150,000
WAPDA Second Sukuk Certificates			1,750,000		1,550,000
GOP Ijarah Sukuk			3,640,000		-
Sukuk Certificates			3,844,600		3,602,800
Units of open end funds			2,106,517		2,729,273
Society for Worldwide Interbank Financial Telecommunication SCRL (S.W.I.F.T. SCRL)			897		897
Certificates of a closed-end fund			136,099		243,966
Advance against units of Inter Security Islamic Fund			-		2,500
Total investment at cost / carrying value			14,997,278		11,404,566
Less: Provision for diminution in value of investments and impairment	10.8		(2,425)		(2,425)
Investments (net of provision)			14,994,853		11,402,141
Deficit on revaluation of held for trading securities	10.9		(22,981)		(24,895)
Deficit on revaluation of available for sale securities	21		(401,954)		(15,416)
Total investments at market value			14,569,918		11,361,830

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10.3 Held for trading securities

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

Name of the investee company	Note	2008		2007	
		Number of Shares	Cost / carrying amount Rupees in '000	2008	2007
Textile composite					
Nishat Mills Limited		-	181,830	-	20,835
Cement					
Attock Cement Pakistan Limited		-	120,000	-	13,033
Power generation and distribution					
The Hub Power Company Limited		-	1,,972,000	-	61,546
Oil and gas marketing					
Pakistan State Oil Company Limited	10.3.3	285,700	60,000	46,364	25,096
Oil and gas exploration					
Pakistan Oilfields Limited	10.3.3	777,000	22,550	93,018	8,098
Oil and Gas Development Company Limited	10.3.3	500,000	350,000	5,537	43,059
Pakistan Petroleum Limited		-	230,350	-	59,309
Automobile parts and accessories					
Agriauto Industries Limited	10.3.1	-	150,000	-	16,660
Automobile assembler					
Indus Motor Company Limited		-	40,000	-	14,523
Pak Suzuki Motor Company Limited		-	45,200	-	17,542
Technology and communication					
Pakistan Telecommunication Company Limited (A)		-	502,900	-	26,525
TRG Pakistan Limited		-	210,000	-	2,686
Fertilizer					
Fauji Fertilizer Company Limited		-	445,273	-	54,799
Fauji Fertilizer Bin Qasim Limited	10.3.3	400,000	1,392,500	29,191	63,490
Engro Chemicals Pakistan Limited		-	225,000	-	62,212
Chemicals					
ICI Pakistan Limited		-	30,000	-	6,364
Paper and board					
Packages Limited		-	102,721	-	39,685
Unquoted Sukuk Bonds					
Sitara Chemical Industries Limited		780	960	3,600	4,800
Arzo Textile Mills Limited		1,000	-	5,000	-
Total				182,710	540,262

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- 10.3.1 The nominal value of these shares is Rs. 5 each.
- 10.3.2 During the year, MBL transferred its investment in equity securities having value of Rs. 1,040.656 million from held for trading category to available for sale category as on November 28, 2008, at the market rates prevailing on the said date. The difference between the carrying amount and market value aggregates to Rs. 362.751 million was charged to MBL's profit and loss. The transfer was based on the decision of ALCO Committee, in accordance with the provisions of BSD circular No.10 dated July 13, 2004, keeping in view the tight liquidity position in the market and the decline in the economy.
- 10.3.3 This represents securities with deferred purchase commitments made by MBL.
- 10.3.4 The table below sets out the Investments reclassified by MBL and their carrying and fair value.

	November 28, 2008	December 31, 2008
	Carrying Value	Fair Value
	Carrying Value	Fair Value
Rupees in '000		
Held for trading securities reclassified to available for sale securities	1,040,656	677,905
	677,905	386,336

- 10.3.5 The table below sets out the amounts actually recognised in profit or loss and equity during 2008 by MBL in respect of the investments reclassified out of held for trading investment securities:

	Profit and loss account	Equity
	Rupees in '000	
Profit / (loss) before reclassification		
Impairment on reclassification of securities from held for trading securities to available for sale securities	362,751	-
Profit / (loss) after reclassification		
Deficit on revaluation of available for sale securities	-	291,569

- 10.3.6 The table below sets out the amounts that would have been recognised by MBL in the period following reclassification during 2008 if the reclassification had not been made:

	Profit and loss account	Equity
	Rupees in '000	
Unrealised loss on revaluation of held for trading securities		
Unrealised loss on revaluation of held for trading securities	291,569	-

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10.4 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	2008	2007	2008	2007	2008		2007	
	Number of shares / units /certificates		Cost Rupees in '000	Rupees in '000	Market value	Entity rating long term / short term	Market value	Entity rating long term / short term
Ordinary shares								
Automobile parts and accessories								
Agriauto Industries Limited note - 10.4.1	324,000	120,000	20,352	13,872	10,002	-	12,989	-
Cement								
Attock Cement Pakistan Limited	175,000	-	7,688	-	6,594	-	-	-
D.G. Khan Cement Company Limited	855,000	-	33,584	-	18,186	-	-	-
Fauji Cement Company Limited	286,000	-	1,973	-	1,344	-	-	-
Automobile Assembler								
Indus Motor Company Limited	35,738	-	5,121	-	4,391	-	-	-
Pak Suzuki Motor Company Limited	45,200	-	3,787	-	3,598	-	-	-
Power generation and distribution								
The Hub Power Company Limited	3,543,000	1,225,000	89,761	40,016	49,921	-	37,362	-
Oil and gas marketing								
Pakistan State Oil Company Limited	133,380	7,880	36,885	3,314	19,285	AAA / A1+	3,204	AAA / A1+
Shell Pakistan Limited	1,031	825	180	179	320	-	335	-
Sui Northern Gas Pipeline Limited	227,600	-	6,352	-	4,884	AA / A1+	-	-
Oil and gas exploration								
Pakistan Oilfields Limited	264,660	-	50,174	-	27,125	-	-	-
Oil and Gas Development Company Limited	684,600	-	64,647	-	34,223	AAA / A1+	-	-
Pakistan Petroleum Limited	510,785	-	98,914	-	51,395	-	-	-
Fertilizer								
Engro Chemicals Pakistan Limited	545,400	-	98,412	-	52,609	AA / A1+	-	-
Fauji Fertilizer Bin Qasim Limited	2,102,500	-	47,895	-	27,122	-	-	-
Fauji Fertilizer Company Limited	683,859	288,586	75,045	35,518	40,163	-	34,269	-
Paper and board								
Packages Limited	170,229	46,305	34,472	17,891	13,821	AA / A1+	16,846	AA / A1+
Chemicals								
ICI Pakistan Limited	278,800	-	35,405	-	19,156	-	-	-
Textile composite								
Nishat Mills Limited	152,330	-	6,735	-	3,443	A+ / A1	-	-
Technology and communication								
Pakistan Telecommunication Company Limited (A)	1,566,300	-	49,338	-	26,455	-	-	-
TRG Pakistan Limited	2,160,000	-	8,251	-	3,845	-	-	-
Refinery								
Pakistan Refinery Limited	101,900	-	10,554	-	10,027	-	-	-
Jute								
Thal Limited	35,000	-	3,172	-	2,863	-	-	-

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Name of the investee company / fund	2008		2007		2008		2007	
	Number of shares / units /certificates	Cost Rupees in '000			Market value Rupees in '000	Entity rating long term / short term	Market value Rupees in '000	Entity rating long term / short term
Sukuk Certificates								
WAPDA Second Sukuk								
Certificates note - 10.4.2 & 10.4.4	350,000	310,000	1,750,000	1,550,000	1,767,500	-	1,550,000	-
Dawood Hercules Chemicals Limited note - 10.4.3 & 10.4.5	20,000	20,000	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Century Paper and Board Mills Limited note - 10.4.4 & 10.4.6	125,000	140,000	625,000	700,000	625,000	-	700,000	-
Sui Southern Gas Company Limited note - 10.4.4 & 10.4.7	200,000	200,000	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Engro Chemicals Pakistan Limited note - 10.4.10 & 10.4.8	150,000	150,000	750,000	750,000	750,000	-	750,000	-
Sitara Chemical Industries Limited note - 10.4.9 & 10.4.10	29,600	29,600	111,000	148,000	111,000	-	148,000	-
Quetta Textile Mills note - 10.4.4 & 10.4.11	30,000	-	150,000	-	150,000	-	-	-
Arzo Textile Mills Limited note - 10.4.4 & 10.4.12	10,000	-	50,000	-	50,000	-	-	-
Sitara Peroxide Limited note - 10.4.4 & 10.4.13	30,000	-	150,000	-	150,000	-	-	-
GOP Sukuk								
Ijarah Sukuk First note - 10.4.14 & 10.4.16	16,400	-	1,640,000	-	1,640,000	-	-	-
Ijarah Sukuk Second note - 10.4.15 & 10.4.16	20,000	-	2,000,000	-	2,000,000	-	-	-
Units of open-end funds								
United Composite Islamic Fund	232,558	232,558	25,000	25,000	14,661	-	25,000	-
United Islamic Income Fund	1,995,243	4,937,004	204,847	500,000	186,017	-	501,797	-
NAFA Islamic Income Fund	-	24,503,318	-	250,000	-	-	248,218	-
Atlas Islamic Fund	189,034	368,609	102,566	200,000	70,266	-	192,834	-
Sukuk Bonds								
Abu Dhabi Sukuk Bonds note - 10.4.17	5,000,000	5,000,000	395,492	310,000	395,432	-	307,520	-
Others								
S.W.I.F.T. SCRL	5	5	897	897	897	-	897	-
Advance against issue of units of Inter Security Islamic Fund	-	-	-	2,500	-	-	2,500	-
			<u>10,743,499</u>	<u>6,547,187</u>	<u>10,341,545</u>		<u>6,531,771</u>	

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

10.4.2 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.

10.4.3 The paid up value of these sukuks is Rs. 50,000 per certificate.

10.4.4 The paid up value of these sukuks is Rs. 5,000 per certificate.

10.4.5 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.

10.4.6 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.

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- 10.4.7 The tenure of these certificates is 5 years, with principal receivable in 2009-2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 80 basis points.
- 10.4.8 The tenure of these certificates is 8 years, with principal receivable in 2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.9 The tenure of these certificates is 5 years, with principal receivable in 2008-2011. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 170 basis points.
- 10.4.10 The paid up value of these sukuks is Rs. 3,750 per certificate.
- 10.4.11 The tenure of these certificates is 7 years, with principal receivable in 2010-2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.12 The tenure of these certificates is 6 years, with principal receivable in 2009-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to year 2 and plus 175 basis points from year 3 to year 6.
- 10.4.13 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.
- 10.4.14 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.
- 10.4.15 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.
- 10.4.16 The paid up value of these sukuks is Rs. 100,000 per certificate.
- 10.4.17 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.

10.5 Held to maturity securities

Name of the investee entity	Note	2008		2007	
		Number of Bonds / Certificates	Carrying amount (Rupees in '000)	2008	2007
Sukuk Bonds / certificates					
Qatar Global Sukuk Bonds (Sukuk - Qatar)	10.5.1	1,000,000	1,000,000	31,639	37,200
Dubai Sukuk Bonds (Sukuk - Dubai)	10.5.2	7,000,000	7,000,000	553,690	434,000
WAPDA First Sukuk Certificates (Sukuk - WAPDA)	10.5.3	230,000	230,000	1,150,000	1,150,000
				1,735,329	1,621,200

- 10.5.1 The paid up value of Sukuk – Qatar is US \$ 0.4 (2007:US \$ 0.6) 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 between 2009 to 2010.
- 10.5.2 The paid up value of Sukuk – Dubai is US \$ 1 (2007: US \$ 1) per bond. The return on Sukuk – Dubai is on the basis of London inter-bank offer rate plus a fixed credit spread of 45 basis points. These bonds will mature in 2009.
- 10.5.3 The paid up value of Sukuk -WAPDA is Rs. 5,000 per certificate. The return on Sukuk - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 35 basis points. These bonds will mature in 2012. These sukuks certificates are backed by Government of Pakistan sovereign guarantee.

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10.6 Associates (listed)

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

Name of the investee entity	2008	2007	Percentage of effective holding %	2008	2007
	Number of shares / certificates / units			Carrying amount Rupees in '000	
Closed end mutual fund Al-Meezan Mutual Fund Limited	28,767,300	28,317,299	15.01	156,727	420,415
Certificate of closed end fund Meezan Balanced Fund	19,956,292	19,956,292	15.52	136,099	243,966
Units of open end funds Meezan Islamic Fund - note 10.6.1	14,804,371	8,350,218	Open end fund	329,989	526,398
Meezan Islamic Income Fund	25,241,268	23,517,996	Open end fund	1,210,824	1,227,875
Meezan Capital Protected Fund - note 10.6.4	5,074,854	-	Open end fund	233,291	-
				2,066,930	2,418,654

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

10.6.2 The above associates are incorporated in Pakistan.

10.6.3 Investments in listed associates have a market value of Rs. 2,114 million (2007: Rs. 1,605 million).

10.6.4 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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10.7 Associates (unlisted)

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

Particulars	2008	2007	2008	2007	Percentage of equity holding	Break up value per share	Latest available audited financial statements	Name of the chief executive
	Number of shares / Certificates		Rupees in '000					
Plexus (Private) Limited	1,499,980	1,499,980	3,364	9,807	50	4.70	June 30, 2008	Mr. Abdul Rehman
Faysal Management Services (Private) Limited note - 10.7.1	540,000	540,000	55,279	56,500	30	102.37	Dec. 31, 2008	Mr. Taimur Afzal
Blue Water (Private) Limited note -10.7.2	150,000	150,000	15,221	15,727	30	104.45	June 30, 2008	Mr. Shuja-ul-Mulk Khan
Falcon Greenwood (Private) Limited							June 30, 2008	Mr. Abbas Khan
Ordinary Shares note -10.7.2	250,000	250,000	23,666	23,949	25	95.62	-	-
Preference shares note -10.7.3	1,432,800	1,432,800	143,280	143,280	N/A	N/A	-	-
Advance against issue of Preference Shares	-	-	3,000	3,000	N/A	N/A	-	-
Pak Kuwait Takaful Insurance Co. Limited	2,500,000	2,500,000	25,000	25,000	10	9.03	Dec. 31, 2007	Mr. Istaqbal Mehdhi
Total			268,810	277,263				

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

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

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

10.7.4 The above associates are incorporated in Pakistan.

10.8 Provision for diminution in value of investments and impairment

	2008			2007		
	Associates	Others	Total	Associates	Others	Total
	Rupees in '000					
Opening balance	2,425	-	2,425	2,425	-	2,425
Charge for the year	-	-	-	-	-	-
Closing balance	2,425	-	2,425	2,425	-	2,425

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	2008								2007	
	Rupees in '000									
Associates - unlisted										
Fully paid up-ordinary shares									<u>2,425</u>	<u>2,425</u>
10.9 Deficit on revaluation of held for trading securities										
Fully paid up ordinary shares									<u>(22,981)</u>	<u>(24,895)</u>
10.10 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.										
10.11 Associates accounted for under the equity method of accounting										
	Plexus (Private) Limited	Faysal Management Services (Private) Limited	Blue Water (Private) Limited	Falcon Greenwood (Private) Limited	Al Meezan Mutual Fund Limited	Meezan Islamic Fund	Meezan Balanced Fund	Meezan Capital Protected Fund	Meezan Islamic Income Fund	Total
	Rupees in '000									
Carrying value of investments as at December 31, 2008 according to MBL's financial statements	8,675	54,000	9,000	24,122	46,957	380,525	161,345	250,000	1,181,334	2,115,958
Holding through AMIML	-	-	6,000	-	83,076	168,556	15,173	6,717	95,784	375,506
Groups share in result of associates relating to periods upto December 31, 2007	1,132	2,500	727	(173)	177,023	6	50,518	-	38,694	270,427
Provision for diminution in the value of investments upto December 31, 2008	(1,622)	-	-	(216)	(16,646)	(219,092)	(51,308)	-	-	(288,884)
Group's share in results of associates in current period's profit before taxation	(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 income	-	(4,753)	-	-	(5,562)	-	(16,134)	-	(119,554)	(146,003)
Reversal of surplus on revaluation of investments - net	-	-	-	-	60,841	-	-	-	-	60,841
Reversal of loss on revaluation relating to 'held for trading' investments	-	-	-	-	62,340	224,128	16,933	(28)	3,011	306,384
	<u>3,364</u>	<u>55,279</u>	<u>15,221</u>	<u>23,666</u>	<u>156,727</u>	<u>329,989</u>	<u>136,099</u>	<u>233,291</u>	<u>1,210,824</u>	<u>2,164,460</u>

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11. FINANCINGS

	Note	2008	2007
		Rupees in '000	
In Pakistan			
- Murabaha financings	11.1	14,590,314	15,968,791
- Net investment in Ijarah	11.2	9,553,207	7,757,795
- Export Refinance under Islamic scheme	11.3	3,687,948	3,516,317
- Diminishing Musharakah financings - housing		3,613,476	3,158,134
- Diminishing Musharakah financings - others		5,928,857	2,102,247
- Musharakah financings		80,531	80,531
- Istisna financings		1,605,460	238,275
- Tijarah financings		6,313	-
- Financings against bills - Salam		486,449	658,750
- Financings against bills - Murabaha		850,763	1,345,692
- Loans and running finances	11.4	463,352	422,421
Total financing		40,866,670	35,248,953
Less: Provision against non-performing financings	11.7	(1,098,189)	(673,273)
Financings net of provision	11.5 & 11.9	<u>39,768,481</u>	<u>34,575,680</u>
11.1 Murabaha receivable - gross			
Less: Deferred murabaha income	11.1.2	15,350,282	16,526,020
Profit receivable shown in other assets		(317,937)	(276,865)
Murabaha financings		(442,031)	(280,364)
		<u>14,590,314</u>	<u>15,968,791</u>
11.1.1 Murabaha Sale Price			
Murabaha Purchase Price		15,164,924	16,432,528
		(14,590,314)	(15,968,791)
		<u>574,610</u>	<u>463,737</u>

11.1.2 This includes advance for Murabaha aggregating Rs. 1,411 million (2007: Rs. 2,480 million).

11.2 Net investment in Ijarah

	2008				2007			
	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				Rupees in '000			
Ijarah rentals receivable	2,318,449	7,776,671	559,288	10,654,408	2,417,622	5,622,823	44,936	8,085,381
Residual value	572,972	1,396,879	30,254	2,000,105	434,140	1,183,792	33,489	1,651,421
Minimum Ijarah payments	2,891,421	9,173,550	589,542	12,654,513	2,851,762	6,806,615	78,425	9,736,802
Less: Profits for future periods	(734,983)	(2,275,663)	(90,660)	(3,101,306)	(515,712)	(1,455,644)	(7,651)	(1,979,007)
Present value of minimum Ijarah payments	<u>2,156,438</u>	<u>6,897,887</u>	<u>498,882</u>	<u>9,553,207</u>	<u>2,336,050</u>	<u>5,350,971</u>	<u>70,774</u>	<u>7,757,795</u>

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	Note	2008	2007
		Rupees in '000	
11.3 Receivable under Islamic Export Refinance Scheme- gross	11.3.1	3,783,641	3,615,372
Less: Deferred income		(52,733)	(44,739)
Profit receivable shown in other assets		(42,960)	(54,316)
Receivable under Islamic Export Refinance		<u>3,687,948</u>	<u>3,516,317</u>

11.3.1 This includes advance for Murabaha under Islamic Export Refinance Scheme aggregating Rs. 433 million (2007: Rs. 620 million).

11.4 This includes Rs. 104.888 million (2007 : Rs. 110.941 million) representing mark up free loans to staff advanced under Group's human resource policies.

11.5 Particulars of financing - net

		2008	2007
		Rupees in '000	
11.5.1 In			
- local currency		37,789,456	32,541,376
- foreign currencies		<u>1,979,025</u>	<u>2,034,304</u>
		<u>39,768,481</u>	<u>34,575,680</u>
11.5.2 Short-term (for upto one year)		21,499,732	22,431,192
Long-term (for over one year)		<u>18,268,749</u>	<u>12,144,488</u>
		<u>39,768,481</u>	<u>34,575,680</u>

11.6 Financings include Rs. 2,060.108 million (2007: Rs. 553.339 million) which have been placed under non-performing status as detailed below:

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>2,060,108</u>	<u>994,749</u>	<u>994,749</u>

Category of classification	2007				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	123,336	-	123,336	24,855	24,855
Doubtful	122,729	-	122,729	57,952	57,952
Loss	307,274	-	307,274	296,690	296,690
	<u>553,339</u>	-	<u>553,339</u>	<u>379,497</u>	<u>379,497</u>

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11.7 Particulars of provision against non-performing financings:

	2008			2007		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	379,497	293,776	673,273	163,712	74,543	238,255
Charge for the year	775,040	9,664	784,704	238,997	219,233	458,230
Less: Reversals	(156,268)	(200,000)	(356,268)	(23,212)	-	(23,212)
	618,772	(190,336)	428,436	215,785	219,233	435,018
Amount Written off - note 11.8	(3,520)	-	(3,520)	-	-	-
Closing balance	<u>994,749</u>	<u>103,440</u>	<u>1,098,189</u>	<u>379,497</u>	<u>293,776</u>	<u>673,273</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:

	2008			2007		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	973,519	103,440	1,076,959	364,233	293,776	658,009
In foreign currencies	21,230	-	21,230	15,264	-	15,264
	<u>994,749</u>	<u>103,440</u>	<u>1,098,189</u>	<u>379,497</u>	<u>293,776</u>	<u>673,273</u>

11.8 Particulars of write offs

	Note	2008	2007
		Rupees in '000	
11.8.1 Against provision	11.7	3,520	-
Directly charged to profit and loss account		-	-
		<u>3,520</u>	<u>-</u>
11.8.2 Write offs Rs. 500,000 and above		3,520	-
Write offs below Rs. 500,000		-	-
		<u>3,520</u>	<u>-</u>

11.8.3 Details of loan written off of Rs. 500,000 and above

In term of sub-section (3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2008, is given as Annexure - 1.

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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	2008	2007
		Rupees in '000	
Balance at the beginning of the year		262,542	169,166
Financing granted during the year		173,419	129,942
Repayments		(93,641)	(36,566)
Balance at the end of the year	11.9.1	<u>342,320</u>	<u>262,542</u>

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

	Note	2008	2007
		Rupees in '000	
Balance at the beginning of the year		345,314	395,903
Financing granted during the year		347,671	297,825
Repayments		(324,158)	(348,414)
Balance at the end of the year	11.9.2	<u>368,827</u>	<u>345,314</u>

11.9.1 The maximum total amount of financings including temporary financings granted by MBL during the year were Rs. 342.320 million (2007: Rs. 262.542 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 (2007: Rs. 70.531 million), Murabaha and Ijarah facilities outstanding from The General Tyre and Rubber Company Limited (an associated company) (GTR) amounting to Rs. Nil (2007: Rs. 204.534 million) and Rs. 297.620 million (2007: Rs. 67.448 million) respectively and Ijarah facility outstanding from Pak-Kuwait Takaful Company Limited (an associated company) amounting to Rs. 0.674 million (2007: Rs. 2.801 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. 572.685 million (2007: Rs. 482.177 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

	Executives		Director	
	2008	2007	2008	2007
	Rupees in '000			
Opening balance	125,254	55,392	562	694
Loans disbursed during the year	60,776	98,287	-	-
Loans repaid during the year	(18,257)	(28,425)	(132)	(132)
Closing balance	<u>167,773</u>	<u>125,254</u>	<u>450</u>	<u>562</u>

Note 2008 2007
Rupees in '000

12. OPERATING FIXED ASSETS

Tangible assets			
Capital work-in-progress	12.1	70,228	59,654
Property and equipment	12.2	1,731,555	919,617
		1,801,783	979,271
Intangible assets	12.4	96,747	70,105
		<u>1,898,530</u>	<u>1,049,376</u>

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12.1 Capital work-in-progress

	2008	2007
	Rupees in '000	
- Advances to suppliers and contractors for building renovation	12,847	20,863
- Advances for computer hardware	19,959	19,678
- Advances for purchase of vehicles	9,881	7,912
- Advances for computer software	8,514	600
- Advances for other office machines	19,027	10,466
- Advances for furniture and fixtures	-	135
	70,228	59,654

12.2 Property and equipment

	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	

	2007							
	COST			DEPRECIATION			Net book value as at December 31, 2007	Rate of depreciation %
	As at January 1, 2007	Additions / (disposals)	As at December 31, 2007	As at January 1, 2007	Charge / (on disposal)	As at December 31, 2007		
Rupees in '000								
Land and buildings - note 12.3.1	71,970	182,158	254,128	9,131	4,198	13,529	240,799	5
Leasehold improvements	220,699	161,110	381,809	43,280	28,077	71,357	310,452	10
Furniture and fixtures	56,608	32,189 (280)	88,517	14,339	8,222 (140)	22,421	66,096	10
Electrical, office and computer equipments	232,400	151,121 (1,378)	382,143	130,556	60,715 (1,194)	190,077	192,066	20 and 33
Vehicles	125,708	70,562 (13,130)	183,140	53,346	29,535 (9,945)	72,936	110,204	20
	707,385	597,140 (14,788)	1,289,737	250,652	130,747 (11,279)	370,120	919,617	

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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
At January 1, 2007						
Cost	71,970	220,699	56,608	232,400	125,708	707,385
Accumulated depreciation	(9,131)	(43,280)	(14,339)	(130,556)	(53,346)	(250,652)
Net book value	62,839	177,419	42,269	101,844	72,362	456,733
Year ended						
December 31, 2007						
Additions	182,158	161,110	32,189	151,121	70,562	597,140
Net book value of disposals	-	-	(140)	(184)	(3,185)	(3,509)
Depreciation charge	(4,198)	(28,077)	(8,222)	(60,715)	(29,535)	(130,747)
Net book value as at December 31, 2007	240,799	310,452	66,096	192,066	110,204	919,617
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

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

12.3.2 Included in cost of property and equipment are fully depreciated items still in use aggregating Rs. 144.117 million (2007: Rs. 64.208 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



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 Civic	1,039	589	450	875	Negotiation	S. Tariq Ali
Honda Civic	1,042	799	243	592	MBL Policy	Saleem Wafai (Employee)
Honda Civic	1,042	799	243	592	MBL Policy	Munawar Rizvi (Employee)
Honda Civic	1,425	48	1,377	1,409	Negotiation	Abid Wazir Khan
Toyota Corolla	879	674	205	705	Negotiation	Waleed Iqbal
Toyota Corolla	1,169	1,169	-	117	MBL Policy	Ariful Islam (Employee)
Toyota Corolla	1,209	947	262	602	MBL Policy	Shabbir Hamza Khandwala (Employee)
Toyota Corolla	980	552	428	951	Negotiation	Peeral
Toyota Corolla	1,084	1,084	-	108	MBL Policy	Aasim Saleem (Employee)
Toyota Corolla	927	62	865	915	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Toyota Corolla	879	425	454	818	Negotiation	Javed
Toyota Corolla	159	46	113	113	AMIML Policy	Muhammad Asad
Suzuki Cultus	560	280	280	470	Negotiation	M. Faisal Ghazi
Suzuki Cultus	560	299	261	510	Negotiation	Muhammed Ejaz
Suzuki Cultus	567	320	247	517	Negotiation	Muhammed Umer
Suzuki Cultus	560	280	280	475	Negotiation	Wasim Mirza
Suzuki Cultus	560	177	383	560	Negotiation	Arif Salman
Suzuki Cultus	590	590	-	315	Negotiation	Muhammed Khurram
Suzuki Cultus	560	467	93	325	Negotiation	Amjad Farooq
Suzuki Cultus	560	457	103	300	Negotiation	Jawad Bawani
Suzuki Cultus	560	420	140	565	Negotiation	Waseem Mirza
Suzuki Cultus	560	429	131	410	Negotiation	Waseem Mirza
Suzuki Alto	491	491	-	342	Negotiation	Sultan Hassan
Suzuki Alto	464	263	201	410	Negotiation	Amir Maqbool
Suzuki Alto	469	211	258	382	Negotiation	Willian D'Souza (Ex-Employee)
Suzuki Alto	496	496	-	240	Negotiation	Shahzad Hussain
Suzuki Alto	469	328	141	365	Negotiation	Imran Mirza Riski
Suzuki Alto	469	211	258	405	Negotiation	Shahid Ali
Suzuki Alto	469	266	203	387	Negotiation	Muhammed Umer
Suzuki Alto	469	266	203	390	Negotiation	M. Tahir
Suzuki Alto	469	266	203	407	Negotiation	Asadullah Sharif
Suzuki Alto	469	305	164	360	Negotiation	Shahid Ali
Suzuki Alto	469	266	203	400	Negotiation	Wasim Mirza
Suzuki Alto	469	266	203	419	Negotiation	Qamar Fayyaz
Suzuki Alto	484	484	-	246	Negotiation	Muhammed Khurram
Honda Citi	785	785	-	79	Negotiation	Najam ul Hassan (Ex-Employee)
Honda Citi	835	654	181	416	MBL Policy	Muhammed Raza (Employee)
Honda Civic	1,043	591	452	880	Negotiation	Wasim Mirza
Honda Citi	1,003	969	34	476	MBL Policy	Sohail Khan (Employee)
Honda Citi	933	529	404	690	MBL Policy	Ahmed Ali Siddqui (Employee)
Honda Citi	898	210	688	719	MBL Policy	Najam ul Hassan (Ex-Employee)
Honda Citi	885	679	206	503	MBL Policy	Bashir Baloch (Employee)
Honda Citi	835	640	195	407	Negotiation	Shahzad
Honda Citi	898	149	749	901	Insurance Claim	Pak Kuwait Takaful Co. Ltd.
Santro	499	499	-	304	Negotiation	Mehar Amraiz
Santro	519	502	17	318	Negotiation	Faisal Shahar
Santro	579	521	58	325	Negotiation	Farooq Khan
Santro	499	499	-	200	Negotiation	Muhammed Amer Khalil

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For the year ended December 31, 2008



Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
		Rupees in '000				
Toyota Camray	2,674	1,809	865	1,475	Negotiation	Wajeeha A. Saleem
Honda Citi	791	791	-	260	Negotiation	Muhammed Rafiq Malik
Honda Civic	735	735	-	358	Negotiation	Raza Mohiuddin
Honda Civic	104	22	82	893	Negotiation	Shoaib
Honda Citi	689	688	1	-	MBL Policy	Faiz Siddiqui (Ex- employee)
Honda Civic	1,135	1,135	-	600	Negotiation	Raza Mohiuddin
Leasohold Improvements						
Civil Works	3,237	158	3,079	3,210	Insurance Claim	Pak Kuwait Takaful
Electrical, office and computer equipments						
CCTV and Camera	185	14	171	165	Insurance Claim	Pak Kuwait Takaful
CCTV and Camera	1,055	860	195	56	Negotiation	Fakar International
CISCO ROUTER	180	3	177	188	Insurance Claim	Pak Kuwait Takaful
Photocopier	69	-	69	69	Insurance Claim	Pak Kuwait Takaful
Fax Machine	73	16	56	70	Insurance Claim	Pak Kuwait Takaful
Fax Machine	108	93	15	8	Negotiation	Mansha Brothers
Loose Note Counting Machine	33	2	31	33	Insurance Claim	Pak Kuwait Takaful
Note Binding Machine	28	3	25	28	Insurance Claim	Pak Kuwait Takaful
PABX System	90	5	85	69	Insurance Claim	Pak Kuwait Takaful
AC	440	95	345	345	Insurance Claim	Pak Kuwait Takaful
UPS	199	13	186	199	Insurance Claim	Pak Kuwait Takaful
Computer Systems	1,038	543	495	789	Insurance Claim	Pak Kuwait Takaful
Printers	232	33	199	237	Insurance Claim	Pak Kuwait Takaful
Laptop	69	44	25	20	Insurance Claim	Pak Kuwait Takaful
Furniture and Fixtures						
Chairs	27	12	15	22	Negotiation	Fine Furniture
Furniture						
Chairs	117	5	112	117	Insurance Claim	Pak Kuwait Takaful
	47,145	29,335	17,810	32,426		

12.4 Intangible assets

	COST			AMORTISATION			Net book value as at December 31, 2008	Rate of amortisation %
	As at January 1, 2008	Additions during the year	As at December 31, 2008	As at January 1, 2008	Amortisation charge for the year	As at December 31, 2008		
	Rupees in '000							
Computer software	96,287	49,141	145,428	26,182	22,499	48,681	96,747	20
2007	30,990	65,297	96,287	11,453	14,747	26,182	70,105	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



12.5 Intangible assets - Movement of net book value

	Year ended December 31, 2007				Year ended December 31, 2008		
	Net book value as at January 1, 2007	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2007	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2008
	Rupees in '000						
Computer software	19,555	65,297	14,747	70,105	49,141	22,499	96,747

13. OTHER ASSETS

	Note	2008 Rupees in '000	2007 Rupees in '000
Profit / return accrued in local currency		1,421,269	708,518
Profit / return accrued in foreign currency		13,210	113,115
Advances, deposits, advance rent and other prepayments	13.1	571,933	432,011
Receivables on account of sale of securities	13.2	200,089	67,137
Dividends receivable		3,922	3,878
Stamps		6,293	6,824
Inventories	13.3	1,535,744	719,713
Advances against future Ijarah		312,208	757,094
Advances against Diminishing Musharakah		144,820	-
Security deposits		14,608	12,645
Unrealised gain on forward foreign exchange contracts		20,554	24,175
Unrealized gain on securities with deferred purchase commitments		23,014	-
Prepaid exchange risk fee		142	124
Assets classified as held for sale		152,999	169,596
Other	13.4	1,842	1,726
Provision against receivables on account of sale of securities	13.5	4,422,647	3,016,556
		(92,211)	-
		4,330,436	3,016,556

- 13.1 This includes prepaid rent and prepaid insurance aggregating Rs. 208.063 million (2007: Rs. 164.790 million) and Rs. 113.572 million (2007: Rs. 95.987 million) respectively which are being amortised over a period of one year.
- 13.2 This represents receivable from broker against the sale of securities on deferred purchase commitment. The broker has defaulted on its commitment and the matter is under litigation in Sindh High Court. Pending final outcome of the case, the MBL has recognised loss equivalent to deficit in values of underlying securities.
- 13.3 This represents goods purchased MBL for Murabaha and Tijarah which remained unsold at the balance sheet date.
- 13.4 This represents amount recoverable from SBP upon encashment of various instruments on behalf of SBP by the MBL.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



	Note	2008	2007
		Rupees in '000	
13.5 Provision against other assets			
Opening balance		-	-
Charge for the year		92,211	-
Reversals		-	-
Amount written off		-	-
Closing balance		92,211	-
14. BILLS PAYABLE			
In Pakistan		1,057,017	1,192,160
Outside Pakistan		-	-
		1,057,017	1,192,160
15. DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		4,119,609	2,534,699
Outside Pakistan		13,887	30,907
		4,133,496	2,565,606
15.1 Particulars of due to financial institutions with respect to currencies			
In local currency		4,096,667	2,534,699
In foreign currencies		36,829	30,907
		4,133,496	2,565,606
15.2 Details of due to financial institutions secured / unsecured			
Secured			
Borrowing from the State Bank of Pakistan under Islamic Export Refinance Scheme	15.2.1	3,517,946	2,384,699
Murabaha financing		125,000	150,000
Unsecured			
Overdrawn nostro accounts		13,887	30,907
Others		476,663	-
		4,133,496	2,565,606
15.2.1			
These borrowings are on a profit and loss sharing basis maturing between January 05, 2009, to June 29, 2009, and are secured against demand promissory notes executed in favour of SBP. A limit of Rs. 3,800 million has been allocated to MBL by SBP under Islamic Export Refinance Scheme for the financial year ending June 30, 2009.			

		2008	2007
		Rupees in '000	
15.3 Particulars of due to financial institutions			
Short - term		4,008,496	2,415,606
Long - term		125,000	150,000
		4,133,496	2,565,606

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



16. DEPOSITS AND OTHER ACCOUNTS

Customers

	Note	2008	2007
		Rupees in '000	
- Fixed deposits		23,455,160	21,223,117
- Savings deposits		24,562,979	17,644,610
- Current accounts - non-remunerative		20,613,316	12,238,793
- Current accounts - remunerative		165,787	-
- Margin		615,994	386,674
		69,413,236	51,493,194

Financial institutions

- Remunerative deposits	800,330	3,076,974
- Non-remunerative deposits	18,384	10,284
	818,714	3,087,258
	70,231,950	54,580,452

16.1 Particulars of deposits

In

- local currency	66,487,627	52,011,755
- foreign currencies	3,744,323	2,568,697
	70,231,950	54,580,452

17. DEFERRED TAX LIABILITIES

Credit / (debit) balances arising on account of:

Excess of accounting book values over tax written down values of owned assets		169,180	124,284
Excess of Ijarah financings over tax written down values of Ijarah assets		771,983	573,226
Excess of tax written down values over accounting net book values of investments		(47,711)	20,080
Other staff benefits		(45,185)	(64,752)
Provision against non-performing financings		(341,554)	(194,904)
Deficit on revaluation of available for sale investments		(35,835)	(2,162)
Provision for diminution in value of investments and impairment		(28,705)	-
Others		(32,833)	(2,641)
		409,340	453,131

18. OTHER LIABILITIES

Return on deposits and other dues	18.1	534,164	537,758
- payable in local currency		10,852	10,050
- payable in foreign currency		19,202	16,138
Unearned commission		103,214	59,236
Accrued expenses		-	5,019
Advance Payments		351,032	42,101
Current taxation (provision less payments)		851	855
Unclaimed dividends		135,634	63,085
Unrealised gain (net) on forward foreign exchange contracts		32,444	18,566
Payable to defined benefit plan	34.2	1,600	7,548
Provision against off-balance sheet obligations	18.2	2,104,357	1,842,534
Security deposits against Ijarah		157,227	212,051
Other staff benefits		8,820	12,419
Charity payable	18.3	741	1,274
Liabilities directly associated with assets classified as held for sale		15,521	12,820
Amount due to investor in funds consolidated by Group		146,517	80,568
Others		3,622,176	2,922,022

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



18.1 This includes Rs. 40.374 million (2007: Rs. 37.642 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	2008	2007
			Rupees in '000	
	Opening balance		7,548	1,600
	Charge for the year		-	5,948
	Reversals		(5,948)	-
	Amount written off		-	-
	Closing balance	18.2.1	<u>1,600</u>	<u>7,548</u>

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.

18.3	Reconciliation of charity payable	Note	2008	2007
			Rupees in '000	
	Balance as at January 1		12,419	9,549
	Additions during the year		36,288	32,507
	Less: Transferred to charity savings account (included in deposits and other accounts)	18.3.2	(39,887)	(29,637)
	Balance as at December 31		<u>8,820</u>	<u>12,419</u>

18.3.1 Charity paid through saving account during the year is Rs. 2.13 million (2007: Rs.4.778 million). Charity in excess of Rs. 100,000 was paid to the following individuals / organizations:

		2008	2007
		Rupees in '000	
Al Shifa Trust		-	250
Alamgir Welfare Trust		-	1,110
Health Oriented Preventive Education		125	-
Idara Al Khair Welfare Society		300	200
Indus Hospital		500	-
The Citizen Foundation (TCF)		389	-
Ms. Shagufta Ibrahim (Ex-Employee)(Late)		-	450
Rashid Memorial Welfare Organization		-	1,200
Security Guard Tando Allahyar Branch Meezan Bank Limited		500	-
Sindh Institute of Urology and Transplantation (SIUT)		-	1,000

18.3.2 Charity in profit and loss saving account is Rs.69.349 million (2007: Rs.29.637 million).

18.3.3 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 Consolidated Financial Statements

For the year ended December 31, 2008



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:

Authorized capital

As at January 1, 2008
Increase during the year
As at December 31, 2008

Ordinary shares of Rs. 10 each		
	Number	Amount in Rupees in '000
As at January 1, 2008	800,000,000	8,000,000
Increase during the year	-	-
As at December 31, 2008	800,000,000	8,000,000

Issued, subscribed and paid-up capital

As at January 1, 2007
Issue of bonus shares of Rs. 10 each
As at December 31, 2007
Issue of bonus shares of Rs. 10 each
As at December 31, 2008

377,989,686	3,779,897
-	-
377,989,686	3,779,897
114,606,472	1,146,064
492,596,158	4,925,961

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



- 19.2** In accordance with the requirement of BSD circular No. 6 dated October 28, 2005, MBL was required to raise its paid-up capital to Rs. 5 billion by December 31, 2008. However, SBP vide its letter No. BSD /BAI-3/608/67/2009 dated January 17, 2009, has deferred the compliance of the "Minimum Capital Requirement" by MBL till March 31, 2009.

20. RESERVES

	Note	2008	2007
		Rupees in '000	
Statutory reserve	20.1	778,256	654,019
General reserve		91,082	91,082
		<hr/>	<hr/>
		869,338	745,101

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

21. DEFICIT ON REVALUATION OF INVESTMENTS

		2008	2007
		Rupees in '000	
Quoted shares		(419,394)	(12,936)
Other securities - certificates		17,440	(2,480)
		<hr/>	<hr/>
		(401,954)	(15,416)
Add: Deferred tax asset		35,835	2,162
		<hr/>	<hr/>
		(366,119)	(13,254)

22. MINORITY INTEREST

Opening balance	261,084	185,864
Share of (loss) / profit for the year	(56,997)	75,220
Closing balance	204,087	261,084

23. CONTINGENCIES AND COMMITMENTS

23.1 Direct credit substitutes

Guarantees favouring		
- Government	311,574	277,849

23.2 Transaction related contingent liabilities

Guarantees favouring		
- Government	2,077,032	1,327,983
- Banks	69,427	28,530
- Others	2,833,741	2,396,774
	<hr/>	<hr/>
	4,980,200	3,753,287

23.3 Trade related contingent liabilities

Import letters of credit	5,398,265	8,452,589
Acceptances	2,834,379	2,880,544
	<hr/>	<hr/>
	8,232,644	11,333,133

23.4 Commitments in respect of forward exchange contracts

Purchases	8,084,571	5,323,699
Sales	9,315,366	9,773,147

23.5 Commitments for the acquisition of operating fixed assets

27,684

23.6 Commitments in respect of financings

22,733,968

23.7 Commitments in respect of securities with deferred purchase commitments

174,110

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



	2008	2007
	Rupees in '000	
23.8 Other commitments		
Bills for collection (inland)	96,983	44,854
Bills for collection (foreign)	<u>2,453,995</u>	<u>2,211,968</u>
	<u>2,550,978</u>	<u>2,256,822</u>
23.9 Senior Executive Bonus Incentive Scheme (SEBIS)		
Notional Funding under SEBIS:		
Opening balance	-	-
Additions during the year	24,561	-
Repayments / adjustments during the year	597	-
Closing balance	<u>25,158</u>	<u>-</u>
Liability under SEBIS:		
Opening balance	-	-
Additions / (reductions) during the year	25,413	-
Repayments / adjustments during the year	-	-
Closing balance	<u>25,413</u>	<u>-</u>

23.10 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 the MBL's position will be sustained.

The tax department has not accepted the MBL's contention on the matter of allocation of expenses on exempt capital gains and dividend income subject to reduced rate of tax. Order to this effect has already been framed for the tax year 2003. For the following years 2004 and 2005, proceedings have been initiated in this respect whereas for the tax years 2006 to 2008, this matter has not yet emerged as these have been deemed assessments which are expected to be amended on this issue.

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

MBL has challenged the matter in an appeal on the issue with the ITAT. The issue of allocation of expenses is expected to be decided on the basis of facts of the case to 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 not be allowed.

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

	2008	2007
	Rupees in '000	
24. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS		
On financings to		
- Customers	4,689,554	3,282,076
On investments in		
- Held for trading	1,140	580
- Available for sale securities	767,483	155,050
- Held to maturity securities	156,204	223,139
On deposits with financial institutions	<u>1,193,060</u>	<u>913,599</u>
	<u>6,807,441</u>	<u>4,574,444</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



25. RETURN ON DEPOSITS AND OTHER DUES EXPENSED

	Note	2008	2007
		Rupees in '000	
Deposits and other accounts		2,896,861	2,213,494
Other short term borrowings	25.1	191,312	237,956
		<u>3,088,173</u>	<u>2,451,450</u>

25.1 This includes Rs. 143.325 million (2007: Rs. 231.125 million) paid / payable to SBP by MBL under Islamic Export Refinance Scheme.

26. CAPITAL GAIN ON SALE OF INVESTMENTS

	Note	2008	2007
		Rupees in '000	
Shares - listed		37,042	564,896
Government Sukuk / certificates		386	5,741
Term finance certificates		475	62
		<u>37,903</u>	<u>570,699</u>

27. OTHER INCOME

Gain on termination of Ijarah financings		8,830	5,508
Gain on termination of diminishing Musharakah financings		16,119	6,109
Gain on sale of property, equipment and others		14,616	6,080
Advisory services		5,924	6,222
Sales load		12,096	9,205
Reversal of charge under SEBIS		27,878	-
Gain on securities with deferred purchase commitments		23,014	-
Others		884	4,808
		<u>109,361</u>	<u>37,932</u>

28. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.	36	1,164,417	870,774
Charge for defined benefit plan		31,214	17,423
Contribution to defined contribution plan	35	35,214	21,698
Non- executive directors' fees	36	11,839	12,568
Rent, electricity, taxes, insurance, etc.		403,239	244,416
Takaful and tracker expenses on Ijarah		198,249	154,226
Communication		106,517	71,513
Stationery and printing		70,622	40,951
Entertainment		8,826	5,513
Office supplies		23,526	13,625
Local transportation and car running		52,896	28,170
Fees, subscription and clearing charges		64,806	25,580
Security charges including cash transportation charges		68,487	34,265
Repairs and maintenance		56,505	33,361
Hardware and software maintenance		29,692	8,011
Advertisement and publicity		43,462	60,170
Depreciation	12.2	216,327	130,747
Amortization	12.4	22,499	14,747
Travelling		25,476	19,841
Service charges		1,999	8,867
Brokerage, commission and bank charges		41,580	20,803
Legal and professional charges	28.1	16,941	18,142
Auditors' remuneration	28.2	6,860	4,392
Workers Welfare Fund	28.3	23,206	-
Others		17,868	14,481
		<u>2,742,267</u>	<u>1,874,284</u>

28.1 This includes remuneration to Shariah Board of MBL amounting to Rs. 1 million (2007: Rs. 1.3 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



	2008	2007
	Rupees in '000	
28.2 Auditors' remuneration		
Audit fee	1,535	1,200
Fee for interim review	460	350
Special certifications and sundry advisory services	4,475	2,200
Out of pocket expenses	390	642
	6,860	4,392

28.3 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.

29. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	287	2,884
Others	19,747	-
	20,034	2,884

30. TAXATION

Current		
- for the year	377,422	329,282
- for prior years	-	(7)
Deferred	377,422	329,275
	(10,119)	56,117
	367,303	385,392
30.1 Relationship between tax expense and accounting profit		
Profit before taxation and WWF	546,509	1,509,443
Effects of		
- Tax calculated at the applicable rate of 35%	191,278	528,305
- Tax effect of income that are not taxable in determining taxable profit	102,261	(136,160)
- Income chargeable to tax at reduced rate	(30,785)	(9,360)
- Tax effect of exempt income	99,427	-
- Permanent differences	4,855	2,607
- Others	267	-
Tax charge for the year	367,303	385,392

31. BASIC AND DILUTED EARNINGS PER SHARE

	Rupees	
Profit for the year	212,997	1,048,831
	Number	
Weighted average number of ordinary shares	492,596,158	492,596,158
Basic earnings per share	31.1	2.13
	0.43	0.43

31.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2007 and 2008.

31.2 The number of ordinary shares as at December 31, 2007, have been adjusted for element of bonus shares.

32. CASH AND CASH EQUIVALENTS

	Note	2008	2007
		Rupees in '000	
Cash and balances with treasury banks	7	5,763,788	5,644,137
Balances with other banks	8	1,365,777	3,763,608
		7,129,565	9,407,745

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



33. STAFF STRENGTH

	2008	2007
	Rupees in '000	
Permanent	1,887	1,318
Contractual basis	995	709
Group's own staff strength at the end of the year	<u>2,882</u>	<u>2,027</u>
Outsourced	377	253
Total Staff Strength	<u>3,259</u>	<u>2,280</u>

34. DEFINED BENEFIT PLAN OF MBL

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

	2008	2007
	Principal actuarial assumptions	
34.1 Discount rate	15% p.a	10% p.a
Expected rate of increase in salaries	15% p.a	10% p.a
Expected rate of return on investments	15% p.a	10% p.a
Normal retirement age	60 years	60 years

The disclosures made in notes 34.2 to 34.13 are based on the information included in the actuarial valuation report of MBL as of December 31, 2008.

	Note	2008	2007
		Rupees in '000	
34.2 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligations	34.7	80,277	48,929
Fair value of plan assets	34.8	(32,507)	(19,808)
Net actuarial losses not recognised	34.11	<u>(17,967)</u>	<u>(11,187)</u>
		<u>29,803</u>	<u>17,934</u>
34.3 Movement in payable to defined benefit plan			
Opening balance		17,934	7,929
Charge for the year	34.4	29,803	17,934
Contribution made during the year		(17,934)	(7,929)
Closing balance		<u>29,803</u>	<u>17,934</u>
34.4 Charge for defined benefit plan			
Current service cost		26,192	15,501
Interest cost		4,893	2,912
Expected return on plan assets		(1,981)	(1,153)
Actuarial gains and losses		699	674
		<u>29,803</u>	<u>17,934</u>
34.5 Actual return on plan asset	34.6	<u>(520)</u>	<u>2,122</u>

34.6 It includes a balance of Rs. 1.368 million (2007: Rs. 0.820 million) kept in a savings account and Rs.15.050 million (2007: Rs. 17.934 million) placed in Meezan Aamdan Certificate with MBL.

	2008	2007
	Rupees in '000	
34.7 Reconciliation of present value of obligation		
Present value of obligation as at January 1	48,929	29,117
Current service cost	26,192	15,501
Interest cost	4,893	2,912
Benefits paid	(4,715)	(1,774)
Actuarial loss on obligation	4,978	3,173
Present value of obligation as at December 31	<u>80,277</u>	<u>48,929</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



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

	2008	2007
	Rupees in '000	Rupees in '000
Opening fair value of plan assets	19,808	11,531
Expected return	1,981	1,153
Contributions by MBL	17,934	7,929
Benefits paid	(4,715)	(1,774)
Actuarial (loss) / gain	<u>(2,501)</u>	<u>969</u>
	<u>32,507</u>	<u>19,808</u>

34.9 The plan assets comprise as follows:

	2008	2007
	Rupees in '000	%
	Rupees in '000	%
Meezan Aamdan Certificates	15,050	46.30
Meezan Islamic Income Fund	1,089	3.35
Savings account with Meezan Bank	<u>16,368</u>	<u>50.35</u>
	<u>32,507</u>	<u>100.00</u>

34.10 Actuarial loss to be recognized

	Note	2008	2007
		Rupees in '000	Rupees in '000
Corridor Limit			
The limits of the corridor as at January 1			
10% of obligations		4,893	2,912
10% of plan assets		<u>1,981</u>	<u>1,153</u>
Which works out to		<u>4,893</u>	<u>2,912</u>
Unrecognised actuarial (losses) / gain as at January 1		<u>(11,187)</u>	<u>(9,657)</u>
Excess		<u>(6,294)</u>	<u>(6,745)</u>
Average expected remaining working lives in years		9	10
Actuarial loss to be recognized		<u>(699)</u>	<u>(674)</u>

34.11 Unrecognized actuarial losses

	2008	2007	2006	2005	2004
		Rupees in '000			
Unrecognized actuarial losses at January 1		(11,187)	(9,657)		
Actuarial loss on obligations	33.7	(4,978)	(3,173)		
Actuarial (loss) / gain on assets	33.8	<u>(2,501)</u>	<u>969</u>	<u>674</u>	<u>969</u>
Actuarial loss recognised	33.10	<u>(18,666)</u>	<u>(11,861)</u>		
Unrecognised actuarial (losses) as at December 31		<u>699</u>	<u>674</u>		
		<u>(17,967)</u>	<u>(11,187)</u>		

34.12 Amount for the current year and previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	2008	2007	2006	2005	2004
		Rupees in '000			
Present value of defined benefit obligation	80,277	48,929	29,117	17,640	10,972
Fair value of plan assets	(32,507)	(19,808)	(11,531)	(6,841)	(1,956)
Deficit	<u>47,770</u>	<u>29,121</u>	<u>17,586</u>	<u>10,799</u>	<u>9,016</u>
Actuarial loss on obligation	(4,978)	(3,174)	(4,770)	(2,246)	(449)
Actuarial (loss) / gain on assets	<u>(2,501)</u>	<u>969</u>	<u>(25)</u>	<u>(556)</u>	<u>338</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



34.13 Expected gratuity expense for the next year

The expected gratuity expense for the year ending December 31, 2009, works out to Rs. 37.730 million.

35. DEFINED CONTRIBUTION PLAN

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

	2008	2007
	Rupees in '000	
Contribution from the group	35,214	21,698
Contribution from the employees	35,214	21,698
	<hr/> <hr/>	<hr/> <hr/>
	70,428	43,396
	<hr/> <hr/>	<hr/> <hr/>

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President and Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in '000					
Fees*	-	-	11,839	12,568	-	-
Managerial remuneration**	17,092	45,091	11,281	25,506	145,938	156,148
Charge for defined benefit plan	1,140	453	803	731	10,657	7,693
Contribution to defined contribution plan	1,367	543	963	878	11,069	6,089
House rent	6,153	2,445	4,119	3,510	56,604	31,941
Utilities	1,367	543	963	878	12,610	7,274
Medical	1,520	546	1,090	994	12,821	7,209
Conveyance	1,551	774	642	253	-	78
Others	105	76	16	20	3,421	1,149
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Number of persons	1	1	9	8	124	79
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* This includes amounts charged in these financial statements as fees to eight (2007: seven) non-executive directors.

** An aggregate provision of Rs.145.933 million has been recognised in the consolidated financial statements for bonus of Executives and staff of MBL as per policy approved by the Board. However, the bonus has not been allocated to Executives and staff to the date of the financial statements. Accordingly, same has not been disclosed with the remuneration of Chief Executive, Directors and other Executives.

36.1 Certain executives are provided with free use of the Bank 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 10.7 and 10.8.

The fair value of financings, other assets, other liabilities and deposits and other accounts cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of financings has been calculated in accordance with the Group's accounting policy as stated in note 6.3.2. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits are frequently repriced.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



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									
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%	-	-	-	-	-
2007									
Total income	252,166	2,304,570	704,294	2,865,272	12,318	5,688	134,719	-	-
Total expenses	(123,264)	(1,872,912)	(565,900)	(2,541,230)	(708)	(326)	(50,636)	-	-
Net income / (loss)	128,902	431,658	138,394	324,042	11,610	5,362	84,083	-	-
Segment Assets	5,148,000	27,578,129	5,150,286	29,426,054	-	-	958,718	-	-
Segment Non Performing Loans	-	-	95,675	457,664	-	-	-	-	-
Segment Provision Required	-	-	39,580	633,693	-	-	-	-	-
Segment Liabilities	-	161,084	54,582,353	6,757,168	-	-	212,766	-	-
Segment Return on Assets (ROA)	2.50%	1.57%	2.69%	1.10%	-	-	8.77%	-	-
Segment Cost of funds	5.13%	5.13%	5.13%	5.13%	-	-	11.25%	-	-

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 banking transactions were entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.
- 39.3** Key management personnel
 - President and Chief Executive Officer
 - Chief Operating Officer

Notes to and forming part of the Consolidated Financial Statements

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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	
	2008	2007	2008	2007	2008	2007	2008	2007
	Rupees in '000							
Financings								
At January 1,	345,876	396,597	345,314	395,903	562	694	-	-
Disbursed during the year	347,671	297,825	347,671	297,825	-	-	-	-
Repaid during the year	(324,290)	(348,546)	(324,158)	(348,414)	(132)	(132)	-	-
At December 31	369,257	345,876	368,827	345,314	430	562	-	-
Deposits								
Deposits	327,983	2,752,861	173,514	2,594,840	106,360	18,053	48,109	139,968
Borrowing								
Borrowing	453,720	-	453,720	-	-	-	-	-
Balances								
Profit receivable on financing	3,970	11,212	3,970	11,212	-	-	-	-
Payable to defined benefit plan	32,444	18,566	-	-	-	-	32,444	18,566
Profit payable on borrowing	29,921	-	29,921	-	-	-	-	-
Acceptances	-	10,662	-	10,662	-	-	-	-
Letters of credit (unfunded)	35,106	49,551	35,106	49,551	-	-	-	-
Prepaid Takaful	110,738	94,087	110,738	94,087	-	-	-	-
Transactions, income and expenses								
Profit earned on financing	13,360	43,597	13,360	43,597	-	-	-	-
Return on deposits expensed	163,982	109,347	150,094	98,044	1,603	619	12,285	10,684
Takaful on consumer financings	195,063	161,370	195,063	161,370	-	-	-	-
Electricity charges	30,575	19,814	30,575	19,814	-	-	-	-
Dividend income earned	146,002	53,752	146,002	53,752	-	-	-	-
Capital gain	1,367	265,307	1,367	265,307	-	-	-	-
Charge for defined benefit plan	31,214	17,423	-	-	-	-	31,214	17,423
Contribution to defined contribution plan	35,214	21,698	-	-	-	-	35,214	21,698
Service charges incurred	944	10,187	944	128	-	-	-	10,059
Fees earned	12,093	7,821	12,093	7,152	-	-	-	669
Commission earned on letters of credit and acceptances	1,901	1,242	1,901	1,242	-	-	-	-

39.5 ASSOCIATES - KEY INFORMATION

Particulars	2008		
	Mutual Funds	Others	Total
	Rupees in '000		
Assets	16,033,588	1,086,497	17,120,085
Liabilities	262,766	761,172	1,023,938
Operating revenue	811,048	11,488	822,536
Profit after tax	1,089,597	3,014	1,092,611

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



40. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

40.1 Scope of applications

Basel II framework has been applied to the Meezan Bank Limited (MBL) ('the Holding Company'). Al Meezan Investment Management Limited ('the Subsidiary Company') is involved in asset management, investment advisory, portfolio management, equity research, underwriting and corporate finance. MBL holds 65% of the share capital of AMIML. The groups associates are as per Note 1 of Consolidated Financial Statements. The associates have been accounted for under the equity method of accounting as per Note 2. Minority interest of Rs. 204.087 million has been taken into account under Tier 1 capital for consolidated purposes. Minority 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 MBL.

40.2 Capital structure

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 unappropriated profits, etc after deductions for deficit on revaluation of available for sale investments.

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:

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

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

	2008 Basel II	2007 Basel II Unaudited
	Rupees in '000	
Tier I Capital		
Fully Paid-up capital	4,925,961	3,779,897
General Reserves as disclosed on the Consolidated Balance Sheet	869,338	552,401
Unappropriated profits (Net of Losses)	717,684	2,011,667
Minority interest	204,087	231,983
Less: Deficit on account of revaluation of investments held in AFS category	(401,954)	(15,416)
Other deductions*	-	-
Total eligible Tier I capital	6,315,116	6,560,532
Tier II Capital		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *	103,440	293,776
Revaluation Reserves up to 45% under Basel II or 50% under Basel I	-	(5,239)
Less: Other deductions	-	-
Total eligible Tier II capital	103,440	288,537
Eligible Tier III capital		
Total Supplementary Capital eligible for capital adequacy ratio	103,440	288,537
Total Regulatory Capital Base	6,418,556	6,849,069

*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.

Notes to and forming part of the Consolidated Financial Statements

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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 shareholder's value.

The Group's Board and the management is committed to provide sound balance between depositors liability and shareholders funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor about safety and security of their funds and at same time provide impetus to the management to invest their depositor's funds into profitable venture. 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 wide 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 takes into account consideration prevailing economic and political factors in Pakistan and abroad.

SBP sets and monitors capital requirements for banks. In implementing current capital requirements SBP requires banks to maintain a prescribed ratio of 9% of total capital to total risk weighted assets.

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's 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 Board in its last meeting held on October 2008 has reaffirmed in principal commitment to meet the increased Capital requirement of the Group over next five years.

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

Notes to and forming part of the Consolidated Financial Statements

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Credit Risk

Portfolios subject to standardised approach

Portfolios subject to on-balance sheet exposure (Simple approach)

	Capital requirements 2008	Risk weighted assets 2008	Capital requirements 2007 Unaudited	Risk weighted assets 2007 Unaudited
Rupees in '000				
Banks	309,949	159,489	3,874,363	1,993,615
Corporate	2,416,014	2,081,010	30,200,173	26,012,628
Retail	124,296	126,221	1,553,695	1,577,762
Residential mortgage	107,012	93,705	1,337,649	1,171,315
Past due loans	89,774	29,332	1,122,177	366,645
Investments	197,321	611,558	2,466,507	7,644,473
Fixed assets	151,882	83,950	1,898,530	1,049,374
All other assets	346,507	431,015	4,331,333	5,387,689

Portfolios subject to off-balance sheet exposure - non market related (Simple approach)

Banks	5,383	1,169	67,288	14,612
Corporate	253,322	464,394	3,166,524	5,804,929
Retail	-	(415)	-	(5,186)
Others	-	-	-	-

Portfolios subject to off-balance sheet exposures - market related (Current exposure method)

Banks	4,846	3,881	60,573	48,509
Customers	7,260	13,898	90,749	173,723

Market Risk

Capital Requirement for portfolios subject to Standardised Approach

Interest rate risk	363,875	394	4,548,436	4,920
Equity position risk	136,450	181,590	1,705,623	2,269,880
Foreign exchange risk	4,538	21,822	56,719	272,775

Operational Risk

Capital Requirement for operational risk	320,673	214,788	4,008,408	2,684,854
Total	4,839,102	4,517,801	60,488,747	56,472,517

Capital Adequacy Ratio

	2008	2007
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Total eligible regulatory capital held	(a)	6,418,556	6,849,069
Total Risk Weighted Assets	(b)	60,488,747	56,472,517
Capital Adequacy Ratio	(a) / (b)	10.61%	12.13%

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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 monitor 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 the tasks of risk management to committees which are as follows:

Name of the committee	Chaired by
Credit committee	President & CEO
Asset and liability management committee (ALCO)	President & CEO

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 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 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 weight amount of Rs. 50,169.562 million where as in the absence of benefit of CRM this amount would have been Rs. 53,191.887 million. Thus, use of CRM resulted in improved capital adequacy ratio of the Group from 10.26 % (without CRM) to 10.78 % (with CRM).

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41.1.1 Segmental information

41.1.1.1 Segment by class of business

	2008					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	71,839	0.18	327,862	0.47	102,855	0.18
Textile	10,766,001	26.34	1,671,993	2.38	10,730,049	19.02
Automobile and transportation equipment	985,293	2.41	73,440	0.10	1,031,389	1.83
Financial institutions	50,000	0.12	816,789	1.17	16,256,878	28.82
Insurance	-	0.00	51,090	0.07	1,090	0.00
Electronics and electrical appliances	863,181	2.11	115,731	0.16	1,108,186	1.96
Construction	1,298,626	3.18	422,818	0.60	1,260,622	2.23
Power (electricity), gas and water	2,039,147	4.99	22,951	0.03	1,705,351	3.02
Exports / imports	2,218,373	5.43	618,004	0.88	2,681,275	4.75
Transport, storage and communication	156,697	0.38	444,536	0.63	467,677	0.83
Chemical and pharmaceuticals	2,882,516	7.05	490,665	0.70	3,293,820	5.84
Sugar	627,883	1.54	79,453	0.11	388,903	0.69
Footwear and leather garments	1,172,873	2.87	194,247	0.28	1,265,536	2.24
Wholesale and retail trade	4,706,451	11.52	3,968,200	5.65	2,834,284	5.02
Cement	1,864,739	4.56	218,104	0.31	1,083,118	1.92
Services	786,926	1.93	2,634,262	3.75	686,204	1.22
Individuals	7,653,929	18.73	48,696,479	69.34	4,260,370	7.56
Others	2,722,196	6.66	9,385,326	13.37	7,253,488	12.87
	40,866,670	100.00	70,231,950	100.00	56,411,095	100.00

41.1.1.2 Segment by sector

	2008					
	Financings (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	-	-	-	-	-	-
Private	40,866,670	100	70,231,950	100	56,411,095	100
	40,866,670	100	70,231,950	100	56,411,095	100

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

	2008		2007	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
Rupees in '000				
Agriculture, forestry, hunting and fishing	13,576	11,076	13,576	11,076
Textile	736,817	384,411	195,623	180,190
Chemical and pharmaceuticals	-	-	-	-
Cement	50,825	15,348	3,523	1,761
Sugar	150,000	37,500	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	463,611	245,791	47,307	19,455
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	181,639	79,277	105,057	40,021
Others	439,640	215,243	188,253	126,994
	2,060,108	994,749	553,339	379,497

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

	2008		2007	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
Rupees in '000				
Public / Government	-	-	-	-
Private	2,060,108	994,749	553,339	379,497
	2,060,108	994,749	553,339	379,497

41.1.1.5 Geographical segment analysis

	2008		2007	
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Rupees in '000				
Pakistan	523,303	85,804,930	6,350,951	56,411,095
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	523,303	85,804,930	6,350,951	56,411,095

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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 & 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 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

2008			
Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	✓	✓	-
Banks	✓	✓	S & P, FITCH and MOODY'S

Credit Exposure subject to standardized approach

2008				
Rupees in '000				
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-
	20%	2,656,216	-	2,656,216
	50%	1,969,281	-	1,969,281
	100%	1,134,506	-	1,134,506
	150%	-	-	-
	Unrated	28,499,097	949,314	27,549,783
Retails	0%	-	-	-
	20%	-	-	-
	50%	-	-	-
	75%	3,445,499	1,373,905	2,071,594
Total		37,704,599	2,323,219	35,381,380

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.

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

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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 standardised approach for on-balance sheet exposures, the corporate portfolio of Rs. 34,259.100 million is subject to the CRM of Rs. 949.314 million whereas a claim on retail portfolio of Rs. 3,445.499 million is subject to CRM of Rs. 1,373.905 million. The total benefit of Rs. 2,323.219 million was availed through CRM against total on-balance sheet exposure of Rs. 75,304.553 million.

Under off-balance sheet, non-market related exposures, the corporate portfolio of Rs. 13,119.028 million is subject to the CRM of Rs. 1,042.632 million whereas a claim on retail portfolio of Rs. 11.306 million is subject to CRM of Rs. 11.306 million. Total benefit of Rs. 1,053.938 million was availed by the Group through CRM against total off-balance sheet, non-market related exposure of +B1 Rs. 13,524.418 million.

In year 2008, total amount of cash collateral used for CRM purposes was Rs. 3,377.157 million as against amount of Rs. 3,579.349 million in year 2007. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

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

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

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

Classification of equity investments

The Group classifies its equity investment portfolio in accordance with the directives of SBP as follows:

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

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

Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of 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 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	159,729	701,716	2,066,930
Equity investments - unquoted	-	897	270,647
Total value	159,729	702,613	2,337,577

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During the year realised gain of Rs.37.042 million (2007: Rs.564.896 million) and unrealised loss of Rs. 401.954 million (2007: Rs. 15.416 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. 288.884 million (2007: Rs. 0.878 million) 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 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 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 instruments will fluctuate due to the changes in foreign exchange rates.

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

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan rupees	83,225,563	78,134,480	1,230,795	6,321,878
United States dollars	2,415,715	1,062,376	(1,331,509)	21,830
Great Britain pounds	87,875	176,421	80,299	(8,247)
Japanese yen	8,044	-	-	8,044
Euro	40,889	80,702	20,415	(19,398)
Singapore dollars	5,257	-	-	5,257
Australian dollars	788	-	-	788
Canadian dollars	19,704	-	-	19,704
United Arab Emirates Dirham	928	-	-	928
Swiss francs	167	-	-	167
	85,804,930	79,453,979	-	6,350,951

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 adviser.

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	2008										Non-yield bearing financial Instruments	
		Over 1 Upto 1 Month		Over 3 to 5 Months		Exposed to yield risk Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years			
		Over 1 to 5 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 5 to 10 Years	Over 5 to 10 Years	Over 5 to 10 Years	Above 10 Years			
Rupees in '000													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	-	5,763,788	-	-	-	-	-	-	-	-	-	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	14,569,918	-	300	300	600	600	396,693	7,480,829	3,760,469	-	2,930,127	
Financings	12.22	39,768,481	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	104,888	
Other assets	-	2,069,618	-	-	-	-	-	-	-	-	-	2,069,618	
		81,645,582	14,430,058	19,018,159	6,269,414	765,201	3,608,398	4,017,870	12,851,550	5,967,455	3,357,180	11,360,297	
Liabilities													
Bills payable	-	1,057,017	-	-	-	-	-	-	-	-	-	1,057,017	
Due to financial institutions	7.03	4,133,496	676,819	2,148,051	1,169,739	-	-	125,000	-	-	-	13,887	
Deposits and other accounts	5.05	70,231,950	11,021,128	11,111,339	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	-	1,129,723	-	-	-	-	-	-	-	-	-	1,129,723	
		76,552,186	11,697,947	13,259,390	6,980,797	6,817,551	3,002,492	2,974,236	3,199,845	5,169,682	-	25,450,246	
On-balance sheet gap		5,093,396	2,732,111	5,758,769	(711,383)	(6,052,350)	605,906	1,043,634	9,651,705	797,773	3,357,180	(12,089,949)	
Non Financial Assets													
- Operating fixed assets		1,898,530											
- Other assets		2,244,556											
		4,145,086											
Non Financial Liabilities													
- Deferred taxation		(409,340)											
- 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	5,758,769	(711,383)	(6,052,350)	605,906	1,043,634	9,651,705	797,773	3,357,180	(12,089,949)		
Cumulative Yield Risk Sensitivity Gap		2,732,111	8,490,880	7,779,497	1,727,147	2,333,053	3,376,687	13,028,392	13,826,165	17,183,345	5,093,396		

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On-balance sheet financial instruments

Effective yield rate	Total	2007									Non-yield bearing financial Instruments	
		Exposed to yield risk										
		Over 1 Month	Over 3 Months	Over 6 Months	Over 1 Year	Over 2 Years	Over 3 Years	Over 5 Years	Over 10 Years	Above 10 Years		
Rupees in '000												
Assets												
Cash and balances with treasury banks	-	5,644,137	-	-	-	-	-	-	-	-	5,644,137	
Balances with other banks	4.84	3,763,608	3,285,033	-	-	-	-	-	-	-	478,575	
Due from financial institutions	9.98	8,850,000	2,450,000	4,860,000	1,540,000	-	-	-	-	-	-	
Investments	10.45	11,361,830	-	-	-	454,000	37,200	4,855,520	1,750,000	-	4,285,110	
Financings	11.25	34,575,680	6,074,705	8,110,204	6,618,139	1,755,058	2,076,559	3,568,609	2,646,992	971,848	2,642,655	
Other assets	-	1,694,768	-	-	-	-	-	-	-	-	1,694,768	
		65,890,023	11,809,738	12,970,204	8,158,139	1,755,058	2,510,559	3,605,809	7,502,512	2,721,848	2,642,655	
Liabilities												
Bills payable	-	1,192,160	-	-	-	-	-	-	-	-	1,192,160	
Due to financial institutions	6.95	2,565,606	59,419	1,301,799	1,023,481	-	-	-	-	-	180,907	
Deposits and other accounts	5.01	54,580,452	11,538,141	13,469,815	3,237,155	3,882,996	1,754,683	1,949,970	1,484,817	4,627,124	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	12,635,751	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	-	1,012,981	143,147	241,423	40,518	382,089	21,659	42,194	20,754	64,676	-	
		59,351,199	11,740,707	15,013,037	4,301,154	4,265,085	1,776,342	1,992,164	1,505,571	4,691,800	-	
On-balance sheet gap		6,558,824	69,031	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655	
											(1,851,818)	
Non Financial Assets												
- Operating fixed assets		1,049,376										
- Other assets		1,321,788										
		2,371,164										
Non Financial Liabilities												
- Deferred taxation		(453,131)										
- Other liabilities		(1,909,041)										
		(2,362,172)										
Total Net Assets		6,547,816										
Off-balance sheet financial instruments												
Forward Lending	-	-	-	-	-	-	-	-	-	-	-	
Forward borrowings	-	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	
Total Yield Risk Sensitivity Gap		69,031	(2,042,833)	3,856,985	(2,510,047)	734,217	1,613,645	5,996,941	(1,969,952)	2,642,655	(1,851,818)	
Cumulative Yield Risk Sensitivity Gap		69,031	(1,973,802)	1,883,183	(626,864)	107,353	1,720,998	7,717,939	5,747,987	8,390,642	6,558,824	

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

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

The 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 fulfil 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

	2008									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in 000										
Assets										
Cash and balances with treasury banks	5,763,788	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	14,569,918	35,766	9,550	1,290,305	208,052	759,297	4,803,415	2,448,958	2,815,000	2,199,575
Financings	39,768,481	5,469,516	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	4,330,436	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	-	-
	85,804,950	21,184,304	21,489,877	7,912,096	1,977,703	4,470,142	8,424,592	8,531,981	6,152,592	5,661,643
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	-	-	-	-	-
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	3,622,176	1,216,020	624,431	95,945	198,624	526,645	482,356	478,155	-	-
Deferred tax liabilities	409,340	-	-	-	-	-	-	409,340	-	-
	79,453,979	18,570,119	17,523,430	11,172,725	10,854,888	6,074,170	6,001,625	4,087,540	5,169,682	-
Net assets	6,350,951	2,614,185	3,966,447	(3,260,629)	(8,877,185)	(1,604,028)	2,422,967	4,444,641	982,910	5,661,643
Share capital	4,925,961									
Reserves	869,538									
Unappropriated profit	717,684									
Minority Interest	204,087									
Deficit on revaluation of investments	(366,119)									
	6,350,951									
2007										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in 000										
Assets										
Cash and balances with treasury banks	5,644,137	5,644,137	-	-	-	-	-	-	-	-
Balances with other banks	3,763,608	3,763,608	-	-	-	-	-	-	-	-
Due from financial institutions	8,850,000	2,450,000	4,860,000	1,540,000	-	-	-	-	-	-
Investments	11,361,830	485,719	2,500	2,182,665	194,766	758,611	251,467	4,855,520	2,301,983	328,599
Financings	34,575,680	5,946,772	8,110,453	6,618,095	1,755,873	2,079,165	3,582,681	2,686,894	984,228	2,811,519
Other assets	3,016,556	1,158,052	1,370,541	159,645	42,730	49,844	82,551	76,641	22,500	54,272
Operating fixed assets	1,049,376	-	-	-	384	4,481	2,259	407,094	-	635,178
	68,261,187	19,448,268	14,343,294	10,500,405	1,993,755	2,892,101	3,918,958	8,026,149	3,508,711	3,829,568
Liabilities										
Bills payable	1,192,160	1,192,160	-	-	-	-	-	-	-	-
Due to financial institutions	2,565,606	90,326	1,301,799	1,023,481	-	-	-	150,000	-	-
Deposits and other accounts	54,580,452	14,680,237	15,669,850	5,426,590	6,074,358	3,211,094	3,406,382	1,484,817	4,627,124	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,922,022	173,774	325,150	98,360	535,685	461,602	734,795	513,468	79,188	-
Deferred tax liabilities	453,131	-	-	-	-	-	-	453,131	-	-
	61,715,371	16,136,497	17,296,799	6,548,451	6,610,045	3,672,696	4,141,177	2,601,416	4,706,312	-
Net assets	6,547,816	3,511,771	(2,953,505)	3,951,974	(4,616,290)	(780,595)	(222,239)	5,424,733	(1,597,601)	5,829,568
Share capital	3,779,897									
Reserves	745,101									
Unappropriated profit	1,774,988									
Minority interest	261,084									
Deficit on revaluation of investments	(13,254)									
	6,547,816									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



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
Note	Component	Note	Component		
28.2	Administrative expenses - Auditor's remuneration	28	Administrative expenses - Legal and professional charges	For better presentation	2,600,000
28	Administrative expenses - Legal and professional charges	28.2	Administrative expenses - Auditor's remuneration	For better presentation	350,000
28	Administrative expenses - Local transportation and car running	28	Administrative expenses - Rent, electricity, taxes insurance, etc.	For better presentation	7,832,338
28	Administrative expenses - Local transportation and car running	28	Administrative expenses - Security charges	For better presentation	8,975,312
28	Administrative expenses - Others	28	Administrative expenses - Repairs and maintenance	For better presentation	8,677,080
28	Administrative expenses - Repairs and maintenance	28	Administrative expenses - Hardware and software maintenance	For better presentation	398,538
28	Administrative expenses - Others	28	Administrative expenses - Service charges	For better presentation	638,784
28	Administrative expenses - Others	28	Administrative expenses - Takaful and tracker expenses on Ijarah	For better presentation	1,744,311

43. DATE OF AUTHORISATION

These consolidated financial statement were authorised for issue on February 20, 2009 by the Board of Directors of the Group.

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

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

Handwritten signature of Irfan Siddiqui.

Irfan Siddiqui
President and
Chief Executive

Handwritten signature of Naser Abdul Mohsen Al-Marri.

Naser Abdul
Mohsen Al-Marri
Director

Handwritten signature of Mohammed Azzaroog Rajab.

Mohammed
Azzaroog Rajab
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2008



Annexure -1

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2008

Rupees in '000

S. No.	Name and address of the borrower	Name of director (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off	Other fin- ancial relief provided	Total (9+10+11)
				Principal	Profit	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Al Mashriq Enterprises	Arshad Ali Sheikh (NIC No. 244-52-746106)	Sheikh Tajdin	3,520	1,832	350	5,703	3,520	1,832	350	5,703



Pattern of Shareholding

as at December 31, 2008

No. of Shareholders	Having Shares From	To	Shares held	Percentage
233	1	100	8,463	0.00%
461	101	500	116,861	0.02%
274	501	1,000	183,845	0.04%
634	1,001	5,000	1,386,956	0.28%
163	5,001	10,000	1,131,105	0.23%
91	10,001	15,000	1,100,891	0.22%
29	15,001	20,000	517,253	0.11%
27	20,001	25,000	595,153	0.12%
15	25,001	30,000	411,080	0.08%
20	30,001	35,000	654,979	0.13%
9	35,001	40,000	338,876	0.07%
6	40,001	45,000	250,355	0.05%
11	45,001	50,000	527,618	0.11%
10	50,001	55,000	557,966	0.11%
2	55,001	60,000	113,533	0.02%
1	60,001	65,000	64,929	0.01%
3	65,001	70,000	200,704	0.04%
3	75,001	80,000	235,040	0.05%
4	80,001	85,000	353,564	0.07%
2	85,001	90,000	175,031	0.04%
1	90,001	95,000	91,224	0.02%
3	95,001	100,000	296,174	0.06%
1	100,001	105,000	103,202	0.02%
3	105,001	110,000	325,627	0.07%
2	120,001	125,000	241,872	0.05%
1	125,001	130,000	127,335	0.03%
2	130,001	135,000	261,291	0.05%
1	135,001	140,000	136,460	0.03%
1	145,001	150,000	145,124	0.03%
2	150,001	155,000	305,630	0.06%
2	155,001	160,000	316,058	0.06%
1	160,001	165,000	163,986	0.03%
1	180,001	185,000	180,195	0.04%
2	195,001	200,000	391,855	0.08%
1	200,001	205,000	204,809	0.04%
1	215,001	220,000	217,800	0.04%
2	220,001	225,000	443,362	0.09%
2	230,001	235,000	465,589	0.09%
2	235,001	240,000	475,609	0.10%
1	255,001	260,000	255,210	0.05%
1	260,001	265,000	262,351	0.05%
1	265,001	270,000	267,124	0.05%
1	290,001	295,000	290,016	0.06%
1	305,001	310,000	309,811	0.06%
2	310,001	315,000	625,283	0.13%
2	330,001	335,000	662,665	0.13%
1	335,001	340,000	337,102	0.07%
1	345,001	350,000	349,255	0.07%
1	350,001	355,000	350,804	0.07%
1	355,001	360,000	359,031	0.07%
1	370,001	375,000	373,599	0.08%
1	395,001	400,000	396,538	0.08%
2	405,001	410,000	814,067	0.17%
1	450,001	455,000	453,187	0.09%
1	460,001	465,000	463,414	0.09%
1	465,001	470,000	466,706	0.09%
1	475,001	480,000	475,072	0.10%
1	495,001	500,000	499,036	0.10%
1	530,001	535,000	532,172	0.11%
1	540,001	545,000	543,000	0.11%
1	550,001	555,000	554,495	0.11%
2	565,001	570,000	1,131,742	0.23%
1	655,001	660,000	658,736	0.13%
1	680,001	685,000	684,127	0.14%
1	685,001	690,000	686,352	0.14%
1	780,001	785,000	782,370	0.16%
1	1,465,001	1,470,000	1,465,709	0.30%
1	1,565,001	1,570,000	1,568,509	0.32%
1	1,710,001	1,715,000	1,714,902	0.35%
1	2,085,001	2,090,000	2,085,120	0.42%
1	2,430,001	2,435,000	2,433,183	0.49%
1	2,470,001	2,475,000	2,472,181	0.50%
1	2,805,001	2,810,000	2,805,737	0.57%
1	3,270,001	3,275,000	3,274,663	0.66%
2	3,290,001	3,295,000	6,588,646	1.34%
1	5,185,001	5,190,000	5,185,107	1.05%
1	17,740,001	17,745,000	17,740,135	3.60%
1	45,925,001	45,930,000	45,929,362	9.32%
1	147,775,001	147,780,000	147,778,846	30.00%
1	224,190,001	224,195,000	224,193,389	45.51%
<hr/> <u>2,075</u>		<hr/> <u>492,596,158</u>	<hr/> <u>100.00%</u>	



Categories of Shareholders

as at December 31, 2008

Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive, their spouse and minor children	4	7,355,983	1.49%
Associated Companies, undertakings and related parties	7	423,043,789	85.88%
Banks, Development Financial Institutions and Non Banking Finance Companies	18	1,813,908	0.37%
Insurance Companies	4	978,174	0.20%
Modaraba and Mutual Funds	30	15,812,190	3.21%
General Public			
- Local	1,851	21,234,720	4.31%
- Foreign	51	2,116,761	0.43%
Others	110	20,240,633	4.11%
Total	<u><u>2,075</u></u>	<u><u>492,596,158</u></u>	<u><u>100.00%</u></u>

Additional Information as at December 31, 2008

Particulars	Number of Shareholders	Shares held	Percentage
Associated Companies & Shareholders with more than 10% shareholding			
Noor Financial Investment Co, Kuwait	1	224,193,389	45.51%
Pakistan Kuwait Investment Co. (Pvt.) Ltd.	1	147,778,846	30.00%
Islamic Development Bank, Jeddah	1	45,929,362	9.32%
Al-Meezan Mutual Fund Ltd.	1	1,465,709	0.30%
CDC Trustee Meezan Capital Protected Fund	1	163,986	0.03%
CDC Trustee Meezan Islamic Fund	1	3,274,663	0.66%
CDC Trustee Meezan Balanced Fund	1	237,834	0.05%
NIT & ICP			
National Bank of Pakistan, Trustee Department	1	121	0.00%
National Investment Trust	1	3,553	0.00%
Directors, Chief Executive, their spouse and minor children			
H.E.Sheikh Ebrahim Bin Khalifa Al-Khalifa	1	3,294,323	0.67%
Mr. Naser Abdul Mohsen Al-Marri	1	3,294,323	0.67%
Mr. Rana Ahmed Humayun	1	658,736	0.13%
Mr. Irfan Siddiqui	1	108,601	0.02%
Executives			
	25	532,226	0.11%
Public Sector Companies, Corporations, Banks, DFIs, NBFCs, Insurance Companies, Modaraba, Mutual Funds and other Organizations			
	160	38,841,231	7.89%
General Public			
	1,877	22,819,255	4.64%
	<u><u>2,075</u></u>	<u><u>492,596,158</u></u>	<u><u>100.00%</u></u>



Correspondent Banking Network

Country	Bank	Country	Bank
Argentina	Banca Nazionale del Lavoro SpA Bank of America, N.A. Deutsche Bank AG HSBC Bank Argentina SA Santander Central Hispano BNP Paribas		Santander Central Hispano Société Générale
Australia	ABN AMRO Bank N.V. AIB Bank (Ireland) Bank of Western Australia Commonwealth Bank of Australia HSBC Bank J.P.Morgan Chase Bank NA National Australia Bank St George Bank Limited Bank of America, N.A.	Bulgaria	Unicredit Bulbank
		Canada	Bank of America, N.A. Bank of Nova Scotia HSBC Bank Royal Bank of Canada Société Générale
Austria	Bank Austria Creditanstalt AG Bank Austria AG Deutsche Bank AG Intesa Sanpaolo AS Oberbank AG RAIFFEISENLANDES BANK OBEROESTERREICH AG Société Générale	Cayman Islands	Bank of America, N.A. Commerzbank Gulf International Bank B.S.C. Nordea Bank Sweden AB (publ) Santander Central Hispano
Bahamas	Bank of America, N.A. Santander Central Hispano	Chile	Bank of America, N.A. Banco Itau
Bahrain	ABC Islamic Bank (E.C) Citibank NA Denizbank A S Shamil Bank of Bahrain United Bank Limited Gulf International Bank B.S.C. Standard Chartered Bank Fortis Bank AS Woori bank	China	ABN AMRO Bank N.V. Agricultural Bank of China, The Bank of America, N.A. Bank of China China Citic Bank (formerly Citic Industrial Bank) Bank of Communications Deutsche Bank AG HSBC Bank J.P.Morgan Chase Bank NA KBC Bank NV Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The Woori 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. Wenzhou City Commercial Bank
Bangladesh	Habib Bank Limited Standard Chartered Bank Woori bank	Colombia	Santander Central Hispano
Belgium	Bank of America, N.A. Commerzbank Deutsche Bank AG Dexia Bank SA Fortis Banque S.A. / N.V. KBC Bank NV Bank of New York Habib Bank Limited Santander Central Hispano Sumitomo Mitsui Banking Corporation, The Credit Europe Bank N.V.	Croatia	Deutsche Bank
Bolivia	Santander Central Hispano	Cyprus	Bank of Cyprus
Bosnia & Herzegovina	Bank Austria AG	Czech Republic	Bank Austria AG Commerzbank Komercni Banka A.S.
Botswana	Firstrand Bank Ltd	Denmark	Danske Bank A/S Nordea Bank Sweden AB (publ) Skjern Bank
Brazil	Banco do Brasil S.A. Bank of America, N.A. Deutsche Bank HSBC Bank Brazil S.A.	Egypt	Egyptian Saudi Finance Bank HSBC Bank Egypt Mashreq Bank Limited Arab International Bank BNP Paribas



Correspondent Banking Network

Country	Bank	Country	Bank
Estonia	Nordea Bank Sweden AB (publ)		Citibank NA
Ethiopia	Dashen Bank SC Commercial Bank of Ethiopia Awash Bank		Commerzbank
Finland	Nordea Bank Sweden AB (publ) Sampo Bank (part of Danske bank group)		Commonwealth Bank of Australia DBS Bank Hong Kong Ltd
France	Société Bordelaise de CIC SA BNP-Paribas SA BNP Parabis Securities Services, France Credit Industriel et Commercial Société Générale Lyonnais De Banque Banque Scalbert Dupont SA Banque Regionale de l'Ouest SA Bonnasse Lyonnais de Banque Société Nancéienne Varin-Bernier Credit Industriel de l'Ouest SA (Banque CIO) Banca Nazionale del Lavoro SpA Bank of America, N.A. Banque Transatlantique SA Commerzbank Deutsche Bank Habib Bank Limited KBC Bank NV National Bank of Pakistan Santander Central Hispano Sumitomo Mitsui Banking Corporation, The U.B.A.F Credit Industriel de Normandie SA (Banque CIN) Credit Industriel d' Alsace et de Lorraine SA (Banque CIAL)		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 Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The U.B.A.F Wachovia Bank, NA Woori bank
Germany	Sumitomo Mitsui Banking Corporation, The HSBC TRINKAUS UND BURKHARDT AG Banca Monte Dei Paschi di Siena SpA Bank of America, N.A. Bank of New York KBC Bank NV National Bank of Pakistan Nordea Bank Sweden AB (publ) Santander Central Hispano Bayerische Hypo-und Vereinsbank AG Commerzbank Deutsche Bank AG Dresdner Bank AG (Commerzbank) Landesbank Baden-Wuerttemberg National-Bank AG Sparkasse Westmünsterland Vereins-und Westbank AG Standard Chartered Bank	Hungary	CIB Bank Zrt (Central-European International Bank Ltd.) Commerzbank Deutsche Bank HVB Hungary RT K AND H BANK NYRT.(FORMERLY KERESKEDELMI ES HITELBBANK RT)
Greece	Bank of America, N.A. Probank SA Intesa Sanpaolo SpA Egnatia Bank S.A. General Bank of Greece (SG) Hellenic Bank Ltd	India	Bank of America, N.A. Bank of Ceylon Bank of Nova Scotia Punjab National Bank Standard Chartered Bank Citibank NA Deutsche Bank J.P.Morgan Chase Bank NA Mashreq Bank Limited Sumitomo Mitsui Banking Corporation, The State Bank of India
Hong Kong	ABN AMRO Bank N.V. Banca Monte Dei Paschi di Siena SpA Banca Nazionale del Lavoro SpA Bank of America, N.A. Bank of New York	Indonesia	HSBC Bank Standard Chartered Bank ABN AMRO Bank N.V. Bank Central Asia Bank of America, N.A. PT Bank Mandiri (Persero) Tbk Bank Syariah Mandiri Deutsche Bank AG J.P.Morgan Chase Bank NA Woori bank
		Ireland	AIB Bank Bank of Ireland International Banking Citibank HSBC Bank Plc National Irish Bank San Paolo IMI SpA Bank of America, N.A.
		Isle of Man	AIB Bank
		Italy	Banca Delle Marche SpA Unicredit Banca SPA Banca di Roma Banca Monte Dei Paschi di Siena SpA Banca Nazionale del Lavoro SpA



Correspondent Banking Network

Country	Bank	Country	Bank
	Banca Popolare Di Sondrio Banca Popolare di Vicenza SCPARL Banca UBAE Bipop Carire Spa Cassa di Risparmio del Veneto S.p.A. Cassa di Risparmio di Venezia S.p.A. Commerzbank Société Générale Unione di Banche Italiane Scpa (UBI Banca)(formerly Banca Lombarda e Piemontese) Banca Intesa Spa Deutsche Bank AG HVB Bank of America, N.A. HSBC Bank Mizuho Corporate Bank Ltd. Santander Central Hispano 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	Kuwait	Wachovia Bank, NA Woori bank
Japan	Credit Agricole Indosuez Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The U.B.A.F. ABN AMRO Bank N.V. 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 Woori bank	Latvia	Burgan Bank, SAK Citibank NA Commercial Bank of Kuwait, SAK HSBC Bank Middle East Kuwait Finance House National Bank of Kuwait
Jersey, C.I.	AIB Bank (CI) Limited Bank of America, N.A.	Lithuania	Nordea Bank Sweden AB (publ)
Jordan	Housing Bank for Trade & Finance Jordan Islamic Bank for Finance & Investment	Luxembourg	Nordea Bank Sweden AB (publ)
Kenya	Kenya Commercial Bank Limited Habib Bank AG Zurich	Malaysia	Banca Nazionale del Lavoro SpA Bank of New York Banque de Commerce et de Placements Commerzbank Nordea Bank Sweden AB (publ)
Korea	Bank of America, N.A. J.P.Morgan Chase Bank NA Kookmin Bank Pusan Bank Kyongnam Bank ABN AMRO Bank N.V. Bank of New York Deutsche Bank AG HSBC Industrial Bank of Korea Korea Exchange Bank National Bank of Pakistan Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The U.B.A.F.	Malta	ABN AMRO Bank N.V. 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 KBC Bank NV Malayan Banking Berhad (Maybank)
		Mauritius	Türk Di_ Ticaret Bankasi A_
		Mexico	Mauritius Post and Cooperative Bank Ltd
		Macau	Banco del Bajío, SA Bank of America, N.A.
		Mongolia	BNP Paribas SA HSBC
		Morocco	Trade & Development Bank of Mongolia
		Namibia	Banque Marocaine du Commerce Exterieur Société Générale
		Nepal	Firstrand Bank Ltd
		Netherlands	Bank of Kathmandu Ltd Himalayan Bank Limited NABIL Nepal Arab Bank Ltd Nepal Industrial and Commercial Bank Ltd Standard Chartered Bank
			ABN AMRO Bank N.V. Bank of America, N.A. Commerzbank Deutsche Bank AG Credit Europe Bank N.V. Finansbank (Holland) N.V. RBS (Royal Bank of Scotland) Société Générale Lanschot Bankiers NV F. van Habib Bank Limited Fortis Bank (Nederland) N.V. KBC Bank NV



Correspondent Banking Network

Country	Bank	Country	Bank
New Zealand	ASB bank Limited Bank of New Zealand HSBC New Zealand	Portugal	Bank Polska Kasa Opieki SA Bank of America, N.A.
Nigeria	Standard Chartered Bank		Santander Central Hispano Banco Totta Acores Montepio Geral - Caixa Economica Caixa Geral De Depositos
Norway	Nordea Bank Sweden AB (publ) DNB NOR Bank ASA	Puerto Rico	Santander Central Hispano
Oman	HSBC Bank Middle East BankMuscat SAOG	Qatar	Mashreq Bank Limited United Bank Limited Qatar Internation Islamic Bank
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 Faysal Bank Habib Metropolitan Bank Habib Bank Limited HSBC Bank Middle East JS Bank KASB Bank Limited MCB Bank Limited Mashreq Bank Limited My Bank Limited National Bank of Pakistan NIB Bank RBS (Royal Bank of Scotland) (formerly ABN Amro Pakistan Ltd.) Soneri Bank Limited Saudi Pak Commercial Bank Standard Chartered Bank Samba Bank Limited United Bank Limited	Romania	Bank Austria AG Romanian Bank for Development Groupe Societe Generale Romexterra Bank
		Russian Federation	Bank of America, N.A. Bank of Moscow Commerzbank Deutsche Bank AG International Moscow Bank Bank for Foreign Trade JSC VTB Bank
		Saudi Arabia	Islamic Development Bank Bank Al Jazira Gulf International Bank B.S.C. Al Rajhi Banking & Investment Corp. Riyad Bank The Saudi British Bank (SABB) National Commercial Bank Saudi Hollandi Bank
		Serbia & Montenegro	Bank Austria AG
		Singapore	ABN AMRO Bank N.V. Banca Monte Dei Paschi di Siena SpA Bank of America, N.A. Bank of New York Bank of Nova Scotia Citibank NA Commerzbank Commonwealth Bank of Australia DBS Bank Ltd. Deutsche Bank AG Fortis Bank Habib Bank Limited HSBC Bank HSBC Bank USA KBC Bank NV 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 JP Morgan
Poland	Nordea Bank Sweden AB (publ) Bank BPH SA Deutsche Bank AG Société Générale	Slovakia	Bank Austria AG Commerzbank



Correspondent Banking Network

Country	Bank	Country	Bank
Slovenia	Unicredito Bank (formerly Bank Austria AG) SKB Banka dd	Taiwan	Bank of America, N.A. Bank of New York Chinfon Commercial Bank Citibank NA Citibank Taiwan Ltd (formerly Bank of Overseas Chinese) Deutsche Bank AG International Bank of Taipei J.P.Morgan Chase Bank NA Mega International Commercial Bank (International Commercial Bank of China) KBC Bank NV Société Générale Standard Chartered Bank Sumitomo Mitsui Banking Corporation, The Tainan Business Bank Union Bank of Taiwan Wachovia Bank, NA Taiwan Cooperative Bank
South Africa	Citibank NA Firststrand Bank Ltd Habib Overseas Bank Limited HBZ Bank Limited (Habib Bank AG Zurich) ABSA Bank Limited		
Spain	Deutsche Bank AG Bilbao Bizkaia Kutxa Banca Monte Dei Paschi di Siena SpA Banco Espanol de Credito Bank of America, N.A. HSBC Bank KBC Bank NV Santander Central Hispano Banco de Credito Balear Banco de Vasconia SA Banco de Castilla Banco De Andalucia Banca Nazionale del Lavoro SpA Banco de Sabadell SA Caja De Ahorros de Galicia (Caixa Galicia) Caja De Ahorros Del Mediterráneo Commerzbank Banco de Galicia SA	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 Standard Chartered Nakornthon Bank Public Company Limited Sumitomo Mitsui Banking Corporation, The
Sri Lanka	Deutsche Bank AG Habib Bank Limited Hatton National Bank HSBC Bank MCB Bank Standard Chartered Bank Bank of Ceylon	Tunisia	Arab Tunisian Bank Société Tunisienne de Banque
Sudan	Farmers Commercial Bank	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 Fortis Bank AS Türkiye Garanti Bankası AS Türkiye Is Bankası AS Turkland Bank (T-Bank) Türkiye Halk Bankası AS Türkiye Vakıflar Bankası T.A.O
Swaziland	Firststrand Bank Ltd		
Sweden	Nordea Bank Sweden AB (publ) Skandinaviska Enskilda Banken AB (Publ) Svenska Handelsbanken Danske Bank A/S		
Switzerland	Bank of America, N.A. Banco Santander (Suisse) SA Banque de Commerce et de Placements HSBC Private Bank (Suisse) S.A. Credit Agricole Indosuez Banque Cantonale Vaudoise Commerzbank, Frankfurt, Germany Société Générale Clariden Bank AG Habibsons Bank Limited Deutsche Bank AG Zurich Deutsche Bank AG, Frankfurt, Central Entry Point Europe Habib Bank AG Zurich Nordea Bank Sweden AB (publ) United Bank Limited AG Zurich Zuercher Kantonalbank	UAE	Abu Dhabi Commercial Bank Abu Dhabi Islamic Bank United Arab Bank ABN AMRO Bank N.V. BNP Paribas SA Citibank NA Dubai Islamic Bank Habib Bank Limited Habib Bank AG Zurich HSBC Bank Middle East Mashreq Bank Limited National Bank of Dubai Standard Chartered Bank United Bank Limited AG Zurich Sharjah Islamic Bank



Correspondent Banking Network

Country	Bank	Country	Bank
UK	AIB Bank HABIBSONS BANK LIMITED Banca Monte Dei Paschi di Siena SpA Banca Nazionale del Lavoro SpA Bank of New York Bank Mandiri (Europe) Ltd. Citibank NA Commonwealth Bank of Australia Deutsche Bank AG European Islamic Investment Bank (EIIB) 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) Santander Central Hispano Sumitomo Mitsui Banking Corporation, The United National Bank (UBL & NBP) Wachovia Bank, NA 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	International Finance Corporation (IFC) Bank of America, N.A. Bank ONE, NA Citibank NA Commerzbank Habib American Bank Malayan Banking Berhad Société Générale Standard Chartered Bank United Bank Limited AG Zurich U.S. Bank NA Wachovia Bank, NA Woori bank Deutsche Bank Vietnam Bank for Agriculture Bank for Foreign Trade of Vietnam J.P.Morgan Chase Bank NA Woori bank
Ukraine	Bank Austria AG Prominvestbank	Yemen	Shamil Bank of Yemen and Bahrain
Uruguay	Banca Nazionale del Lavoro SpA Banco Itau Santander Central Hispano		
USA	KeyBank National Association National City Bank InterBusiness Bank, N.A. Union Planters AIB Bank Banca Monte Dei Paschi di Siena SpA Banca Nazionale del Lavoro SpA Bank of New York Commonwealth Bank of Australia Calyon (formerly Credit Lyonnais) Deutsche Bank Deutsche Bank Trust Company Americas Doha Bank Gulf International Bank B.S.C. Hannmi Bank Habib Bank Limited HSBC Bank JPMorgan Chase Bank KBC Bank NV 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		



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Branches 40
Cities



Branch Network

Southern Region

Hub (Lasbela)

Hub Chowki Branch
Hub Chowki Branch, Hub City, District Lasbela, Balochistan.
Tel: (92-853) 310252-3

Hyderabad

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

Latifabad Branch
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

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
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

Clifton Branch
Ground Floor, Al-Karam Centre, BC1, 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 II-Extention 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
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
Plot # ST -9, Block 15, Scheme 36, Gulistan-e-Jauher, Karachi.
Tel: (92-21) 4030251-54

Gulshan Chowrangji 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

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

Khayaban-e-Bukhari Branch
Shop # 1-2 & Mezzanine 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



Branch Network

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

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,
2211433, 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

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) 4322184-91

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
Water Pump Branch, Plot No. BS-13, Block-
14, Federal B. Area, Karachi.
Tel: (92-21) 6332443, 6332523

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

Sirkri Road Branch
Shop No. 1 & 2, Kasi Complex, Sirkri 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) 3891640, 3891242, 3891705,
3899406, 3899408, 3891957

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

Dera Ghazi Khan
Dera Ghazi Khan Branch
Jampur Road, Dear Ghazi Khan.
Tel: (92-64) 2474255-7

Daska
Daska Branch
Rest House Chowk, Gujranwala Road,
Daska.
Tel: (92-52) 6612837-41



Branch Network

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

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

Jhang

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

Lahore

Akbar Chowk Branch
885-D, Akbar Chowk, Faisal Town, Lahore.
Tel: (92-42) 5201425-26

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

Azam Cloth Market Sub- Branch
73-B, Kashmir Block, Azam Cloth Market,
Lahore.
Tel: (92-42) 7380461-5

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

C Block Model Town
181-Model Town, C Block, Lahore.
Tel: (92-42) 45844201-4

Circular Road Branch
141-Circular Road,
Out side ShahAlam Gate, Lahore.
Tel: (92-42) 7642001-4

College Road Branch Lahore
6-2/C-1, College Road Township ,
Lahore.
Tel: (92-42) 5157184-6

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

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

Karim Block Sub branch
Baig Plaza, 21 Commercial Zone, Karim
Block, Allama Iqbal Town, Lahore.
Tel: (92-42) 5296701-5

Main Boulevard DHA, Lahore
Shop # 5 & 6, Ground Floor, Usman Arcade,
Main Boulevard, DHA, Lahore.
Tel: (92-42) 6621482-4

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
Sahijpal 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 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



Branch Network

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

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 Raiwind 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

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
Abdali Road Branch
64 Abdali Road, Multan.
Tel: (92-61) 4785604-7

Bosan Road Branch
Chungi No. 9, Lawyers Colony,
Bosan Road, Multan.
Tel: (92-61) 6210090-92

Chowk Shaheedan
Chowk Shaheedan, Multan.
Tel: (92-61) 4502906-09

Gulgash 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

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) 3761402-03

Sargodha Branch
91 Civil Lines, University Road, Sargodha.
Tel: (92-48) 3741608-10

Sheikhupura
Sheikhupura Branch
Civic Center, Sargodha Road, Sheikhupura.
Tel: (92-56) 3813360-2

Sialkot
Kashmir Road Branch
Kashmir Road, Sialkot.
Tel: (92-52) 4295301-3

Kutchery Road Branch
Kutchery Road, Sialkot.
Tel: (92-52) 4263461

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

Dera Ismail Khan
Dera Ismail Khan Branch
East Circular Road, Dera Ismail Khan.
Tel: (92-966) 717257-8

Gujar Khan
Gujar Khan
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 Haripur Sub - branch
Main Bazar, Near Sheranwala Gate,
Haripur.
Tel: (92-995) 615-103, 615-322

Islamabad
Aabpara Branch
Plot # Ramna 6/1-4, Aabpara Market, Sector
G-6, Islamabad.
Tel: (92-51) 2603061-64

Barakah Sub - branch
Fazal ul Haq Plaza, Main Murree Road,
Bararakahu, Islamabad.
Tel: (92-51) 2232881-82

F-7 Jinnah Super Branch
Unit No. 14, Plot No. 12-B, F-7 Markaz,
Jinnah Super, Islamabad.
Tel: (92-51) 2655001-04

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



Branch Network

I-10 Branch
Shop # 7-10, Ground Floor, Ahmadal Plaza,
Plot # 3-I, Sector I-10 Markaz, Islamabad.
Tel: (92-51) 4432711-13

Jinnah Avenue Branch
No. 32, Sohrab Plaza, Jinnah Avenue, Blue
Area, Islamabad.
Tel: (92-51) 2276712-5, 2801112-5

Kohat
Kohat Branch
1st Floor, Jinnah Municipal Plaza, TMA,
Near King Gate, Bannu Road-Kohat.
Tel: (92-922) 523037-40

Mansehra
Lari Adda Branch
Near Madni Masjid, Lari Adda, Karakoram
Highway, Mansehra.
Tel: (92-997) 307640-42

Mansehra Branch
Meezan Plaza, Near Markazi Jamia Masjid,
Abbottabad Road.
Tel: (92-997) 308315-18

Mardan
Mardan Branch
Bank Road, Mardan.
Tel: (92-937) 9230561-3

Muzaffarabad
Muzaffarabad Branch (AJK)
Secretariat Road, Sathra Muzaffarabad,
Azad Jammu & Kashmir (AJK).
Tel: (92-58810) 42154-56

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

Karkhan 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

Bohar Bazar Branch
D-327, Hakim Muhammad Amjal Khan
Road, Bohar Bazar, Rawalpindi.
Tel: (92-51) 5778875, 5778834

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,
Turnol, 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

Saddar Branch
No. 47/62, Bank Road Saddar, Rawalpindi.
Tel: (92-51) 9273404-6

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 _____ as my/our proxy to vote and act for me/us on my/our behalf at the 13th Annual General Meeting of Meezan Bank Ltd. to be held on Monday, March 30, 2009 at Beach Luxury Hotel, M.T.Khan Road, Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2009.

Witness:

Signature: _____

Name: _____

Address: _____

Please affix
Rupees five
revenue
stamp

Signature of Member(s)

CNIC or Passport No. _____

NOTES:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the company.

Please affix
correct
postage

The Company Secretary
Meezan Bank Limited
3rd Floor, P.N.S.C. Building
M.T. Khan Road,
Karachi 74000, Pakistan.



Meezan Bank

The Premier Islamic Bank

Head Office: 2nd & 3rd Floor, P.N.S.C. Building,
M.T. Khan Road, Karachi 74000 - Pakistan.
Tel: (92-21) 5610582 Fax: (92- 21) 5610375
24/7 Call Center: 111 331 331
Website: www.meezanbank.com