



# ANNUAL REPORT 2011



**Meezan Bank**  
The Premier Islamic Bank





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



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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

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

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

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







## VISION

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









## MISSION

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





# OUR VALUES

## CORE VALUES

Shariah-compliance, Integrity,  
Professionalism, Innovation, Service  
Excellence, Social Responsibility

## STAFF

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

## BRAND PERSONALITY

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

## RELATIONSHIPS

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







THE MOSQUE  
AT MEEZAN HOUSE





## QUAID'S CONCEPT OF ISLAMIC BANKING

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

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

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

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

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





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## GLASS

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

## Corporate Information

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## Ten Years at a Glance

|  | 2011          | 2010         | 2009         | 2008         | 2007         |
|--|---------------|--------------|--------------|--------------|--------------|
| <b>Profit and Loss Account</b>                           |               |              |              |              |              |
| Return on financings, investments and placements         | 18,032        | 12,290       | 10,102       | 6,803        | 4,574        |
| Return on deposits and other dues expensed               | 8,666         | 6,606        | 4,970        | 3,088        | 2,452        |
| <b>Net Spread earned</b>                                 | <b>9,366</b>  | <b>5,684</b> | <b>5,132</b> | <b>3,715</b> | <b>2,122</b> |
| Fee, commission, forex and other income                  | 1,347         | 2,056        | 1,332        | 802          | 742          |
| Dividend income and capital gain / (loss) on investments | 1,158         | 419          | 266          | (95)         | 606          |
| <b>Income before provisions and operating expenses</b>   | <b>11,871</b> | <b>8,159</b> | <b>6,730</b> | <b>4,422</b> | <b>3,470</b> |
| Provision against non performing financings and others   | (1,424)       | (1,450)      | (1,443)      | (428)        | (435)        |
| Provision for diminution in investments and impairment   | 35            | (47)         | (89)         | (289)        | (1)          |
| <b>Income before operating expenses</b>                  | <b>10,482</b> | <b>6,662</b> | <b>5,198</b> | <b>3,705</b> | <b>3,034</b> |
| Administrative and operating expenses                    | 6,126         | 4,536        | 3,458        | 2,713        | 1,765        |
| <b>Profit before Taxation</b>                            | <b>4,356</b>  | <b>2,126</b> | <b>1,740</b> | <b>992</b>   | <b>1,269</b> |
| Taxation   | 965           | 477          | 715          | 371          | 306          |
| <b>Profit after Taxation</b>                             | <b>3,391</b>  | <b>1,649</b> | <b>1,025</b> | <b>621</b>   | <b>963</b>   |
| <b>Balance Sheet</b>                                     |               |              |              |              |              |
| Total Financing - net                                    | 59,156        | 54,195       | 41,710       | 39,528       | 34,576       |
| Total Assets   | 200,550       | 154,752      | 124,169      | 85,276       | 67,179       |
| Total Deposits   | 170,030       | 131,070      | 100,333      | 70,234       | 54,582       |
| Share Capital  | 8,030         | 6,983        | 6,650        | 4,926        | 3,780        |
| Total Shareholders Equity                                | 13,329        | 10,740       | 9,091        | 6,341        | 5,720        |
| Market Capitalization                                    | 13,956        | 11,801       | 10,467       | 10,581       | 14,572       |
| Number of Staff  | 4,900         | 4,364        | 3,669        | 3,170        | 2,205        |
| Number of Branches                                       | 275           | 222          | 201          | 166          | 100          |
| <b>Ratios</b>  |               |              |              |              |              |
| Break up Value (Rs.)                                     | 16.60         | 15.38        | 13.67        | 12.87        | 15.13        |
| Market Value per Share (Rs.)                             | 17.38         | 16.90        | 15.74        | 21.48        | 38.55        |
| Cash Dividend (%)  | 10            | -            | -            | -            | -            |
| Stock Dividend (%)                                       | 12.5          | 15           | 5            | 8.6          | 20           |
| Right Shares at par (%)                                  | -             | -            | -            | 35           | -            |
| Price Earning Ratio                                      | 4.11          | 8.24         | 9.20         | 17.60        | 15.12        |
| Earning per Share (Rs.)                                  | 4.22          | 2.05         | 1.62         | 1.22         | 1.96         |
| Net Spread to Gross Return (%)                           | 51.94         | 46.25        | 50.80        | 54.61        | 46.39        |
| Net Profit Before Tax to Gross Income (%)                | 21.21         | 14.40        | 14.87        | 13.21        | 21.43        |
| Net Profit After Tax to Gross Income (%)                 | 16.51         | 11.17        | 8.76         | 8.27         | 16.27        |
| Admin Expense to Income before provisions (%)            | 51.60         | 55.59        | 51.38        | 61.35        | 50.86        |
| Financing / Advances to Deposit Ratio-ADR (%)            | 34.79         | 41.35        | 41.57        | 56.62        | 56.90        |
| Investment to Deposit Ratio - IDR (%)                    | 57.92         | 41.94        | 23.21        | 20.68        | 19.30        |
| Capital Adequacy Ratio (%)                               | 14.89         | 12.41        | 12.77        | 9.58         | 10.71        |
| Return on Average Assets (%)                             | 1.91          | 1.18         | 0.98         | 0.82         | 1.70         |
| Return on Average Equity (%)                             | 28.18         | 16.64        | 13.29        | 10.30        | 18.39        |

Rupees in million

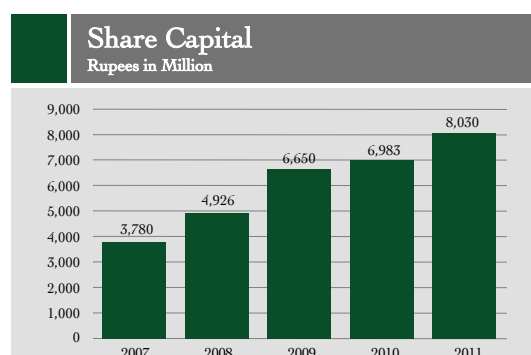
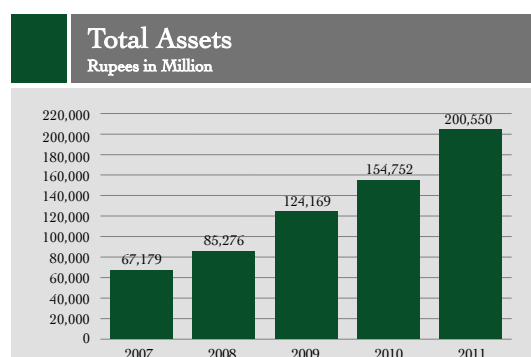
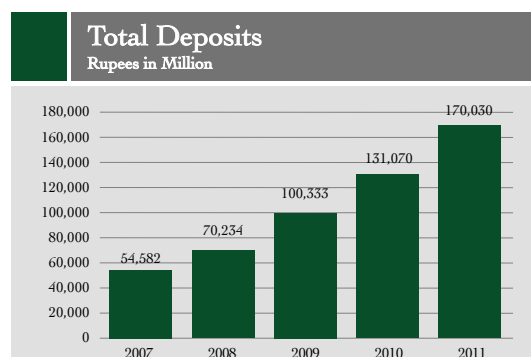
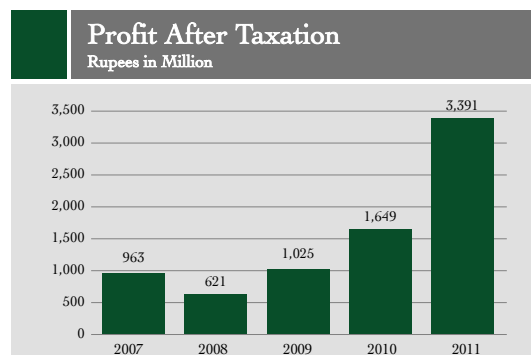
| 2006         | 2005         | 2004       | 2003       | 2002       |
|--------------|--------------|------------|------------|------------|
| 2,704        | 1,459        | 534        | 376        | 311        |
| 1,464        | 690          | 250        | 183        | 192        |
| <b>1,240</b> | <b>769</b>   | <b>284</b> | <b>193</b> | <b>119</b> |
| 441          | 262          | 133        | 67         | 124        |
| 250          | 360          | 232        | 220        | 164        |
| <b>1,931</b> | <b>1,391</b> | <b>649</b> | <b>480</b> | <b>407</b> |
| (122)        | (69)         | (17)       | 18         | 63         |
| (1)          | 30           | (2)        | (2)        | (2)        |
| <b>1,808</b> | <b>1,352</b> | <b>630</b> | <b>496</b> | <b>468</b> |
| 1,028        | 719          | 409        | 255        | 198        |
| <b>780</b>   | <b>633</b>   | <b>221</b> | <b>241</b> | <b>270</b> |
| 176          | 214          | (3)        | 27         | 47         |
| <b>604</b>   | <b>419</b>   | <b>224</b> | <b>214</b> | <b>223</b> |

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

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

|       |       |       |       |       |
|-------|-------|-------|-------|-------|
| 1.88  | 1.46  | 1.67  | 2.01  | 2.23  |
| 45.86 | 52.69 | 53.15 | 51.45 | 38.41 |
| 22.98 | 30.42 | 24.56 | 36.33 | 45.15 |
| 17.80 | 20.15 | 24.94 | 32.26 | 37.24 |
| 53.23 | 51.68 | 63.02 | 53.12 | 48.64 |

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



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

Rupees in million

| Statement of Financial Position                        |         |            |         |            |         |            |         |            |         |            |         |            |
|--|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|
| Assets   | 2011    | 11 Vs 10 % | 2010    | 10 Vs 09 % | 2009    | 09 Vs 08 % | 2008    | 08 Vs 07 % | 2007    | 07 Vs 06 % | 2006    | 06 Vs 05 % |
| Cash and balances with treasury banks                  | 16,641  | 30         | 12,781  | 52         | 8,387   | 46         | 5,764   | 2          | 5,644   | (4)        | 5,897   | 49         |
| Balances with other banks                              | 2,348   | (76)       | 9,940   | 89         | 5,260   | 291        | 1,345   | (64)       | 3,730   | (10)       | 4,134   | 45         |
| Due from financial institutions                        | 4,065   | (61)       | 10,512  | (70)       | 34,487  | 90         | 18,108  | 105        | 8,850   | 139        | 3,700   | 100        |
| Investments  | 98,489  | 79         | 54,967  | 136        | 23,290  | 60         | 14,527  | 38         | 10,535  | 266        | 2,878   | 79         |
| Financings   | 59,156  | 9          | 54,195  | 30         | 41,710  | 6          | 39,528  | 14         | 34,576  | 28         | 27,031  | 37         |
| Operating fixed assets                                 | 3,985   | 30         | 3,066   | 27         | 2,416   | 28         | 1,881   | 82         | 1,033   | 95         | 531     | 74         |
| Deferred tax asset                                     | 801     | 134        | 342     | 68         | 204     | 100        | -       | -          | -       | -          | -       | -          |
| Other assets including inventories                     | 15,065  | 68         | 8,949   | 6          | 8,414   | 104        | 4,123   | 47         | 2,810   | 24         | 2,267   | 3          |
|  | 200,550 | 30         | 154,752 | 25         | 124,168 | 46         | 85,276  | 27         | 67,178  | 45         | 46,438  | 51         |
| <b>Liabilities</b>                                     |         |            |         |            |         |            |         |            |         |            |         |            |
| Bills payable  | 2,282   | 29         | 1,767   | 41         | 1,249   | 18         | 1,057   | (11)       | 1,192   | 112        | 563     | 116        |
| Due to financial institutions                          | 9,236   | 58         | 5,829   | (31)       | 8,468   | 111        | 4,008   | 66         | 2,416   | (44)       | 4,285   | 44         |
| Deposits and other accounts                            | 170,030 | 30         | 131,070 | 31         | 100,333 | 43         | 70,234  | 29         | 54,582  | 58         | 34,449  | 51         |
| Deferred tax liabilities                               | -       | -          | -       | -          | -       | (100)      | 453     | 5          | 430     | 8          | 398     | 134        |
| Other liabilities                                      | 5,216   | 4          | 5,006   | 1          | 4,934   | 39         | 3,549   | 24         | 2,851   | 44         | 1,980   | 35         |
|  | 186,764 | 30         | 143,672 | 25         | 114,984 | 45         | 79,301  | 29         | 61,471  | 48         | 41,675  | 51         |
|  |         |            |         |            |         |            |         |            |         |            |         |            |
| <b>Net Assets</b>                                      | 13,786  | 24         | 11,080  | 21         | 9,184   | 54         | 5,975   | 5          | 5,707   | 20         | 4,763   | 58         |
|  |         |            |         |            |         |            |         |            |         |            |         |            |
| <b>Represented by:</b>                                 |         |            |         |            |         |            |         |            |         |            |         |            |
| Share Capital  | 8,030   | 15         | 6,983   | 5          | 6,650   | 35         | 4,926   | 30         | 3,780   | 0          | 3,780   | 86         |
| Reserves   | 2,058   | 49         | 1,380   | 31         | 1,050   | 24         | 845     | 17         | 721     | 37         | 528     | (21)       |
| Unappropriated Profit                                  | 3,240   | 36         | 2,377   | 71         | 1,390   | 144        | 570     | (53)       | 1,219   | 172        | 448     | 67         |
| Surplus /(Deficit) on revaluation of investments       | 458     | 35         | 340     | 262        | 94      | 126        | (366)   | (2715)     | (13)    | (286)      | 7       | (87)       |
|  | 13,786  | 24         | 11,080  | 21         | 9,184   | 54         | 5,975   | 5          | 5,707   | 20         | 4,763   | 58         |
|  |         |            |         |            |         |            |         |            |         |            |         |            |
| <b>Profit and Loss Account</b>                         |         |            |         |            |         |            |         |            |         |            |         |            |
|  | 2011    | 11 Vs 10 % | 2010    | 10 Vs 09 % | 2009    | 09 Vs 08 % | 2008    | 08 Vs 07 % | 2007    | 07 Vs 06 % | 2006    | 06 Vs 05 % |
| Return on financings, investments and placements       | 18,032  | 47         | 12,290  | 22         | 10,102  | 48         | 6,803   | 49         | 4,574   | 69         | 2,704   | 85         |
| Return on deposits and other dues expensed             | (8,666) | 31         | (6,606) | 33         | (4,970) | 61         | (3,088) | 26         | (2,452) | 67         | (1,464) | 112        |
| <b>Net Spread earned</b>                               | 9,366   | 65         | 5,684   | 11         | 5,132   | 38         | 3,715   | 75         | 2,122   | 71         | 1,240   | 61         |
| Fee, commission, forex and other income                | 1,347   | (34)       | 2,056   | 54         | 1,332   | 66         | 802     | 8          | 742     | 68         | 441     | 68         |
| Dividend income and capital gain                       | 1,158   | 176        | 419     | 58         | 266     | (380)      | (95)    | (116)      | 606     | 142        | 250     | (31)       |
| <b>Income before provisions and operating expenses</b> | 11,871  | 45         | 8,159   | 21         | 6,730   | 52         | 4,422   | 27         | 3,470   | 80         | 1,931   | 39         |
| Provisions   | (1,389) | (7)        | (1,497) | (2)        | (1,532) | 114        | (717)   | 64         | (436)   | 254        | (123)   | 215        |
| <b>Income before operating expenses</b>                | 10,482  | 57         | 6,662   | 28         | 5,198   | 40         | 3,705   | 22         | 3,034   | 68         | 1,808   | 34         |
| Administrative and operating expenses                  | (6,126) | 35         | (4,536) | 31         | (3,458) | 27         | (2,713) | 54         | (1,765) | 72         | (1,028) | 43         |
| <b>Profit before taxation</b>                          | 4,356   | 105        | 2,126   | 22         | 1,740   | 75         | 992     | (22)       | 1,269   | 63         | 780     | 23         |
| Taxation   | (965)   | 102        | (477)   | (33)       | (715)   | 93         | (371)   | 21         | (306)   | 74         | (176)   | (18)       |
| <b>Profit after taxation</b>                           | 3,391   | 106        | 1,649   | 61         | 1,025   | 65         | 621     | (36)       | 963     | 59         | 604     | 44         |





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

Rupees in million

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

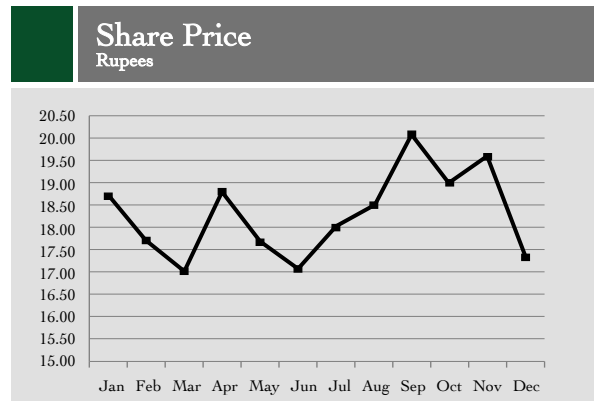
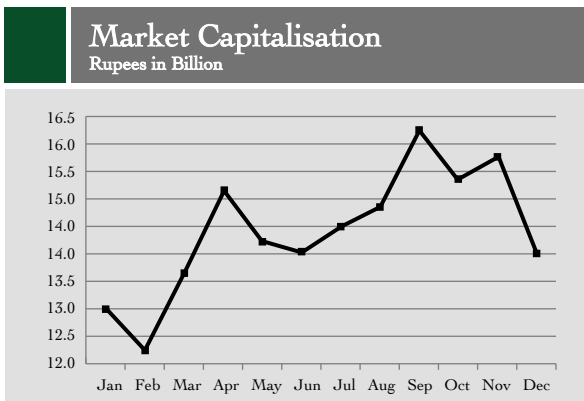
## Calendar of Major Events

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

### Financial Calendar

| 2011                          |                             |
|-------------------------------|-----------------------------|
| 1st Quarter Results Issued on | May 2, 2011                 |
| 2nd Quarter Results Issued on | August 1, 2011              |
| 3rd Quarter Results Issued on | October 31, 2011            |
| Annual Results issued on      | February 20, 2012           |
| 16th Annual General Meeting   | Scheduled on March 29, 2012 |
| 2010                          |                             |
| 1st Quarter Results Issued on | April 23, 2010              |
| 2nd Quarter Results Issued on | August 3, 2010              |
| 3rd Quarter Results Issued on | October 25, 2010            |
| Annual Results issued on      | February 14, 2011           |
| 15th Annual General Meeting   | March 28, 2011              |

## Monthly Market Statistics of Meezan Bank's Share during 2011



## Shareholders

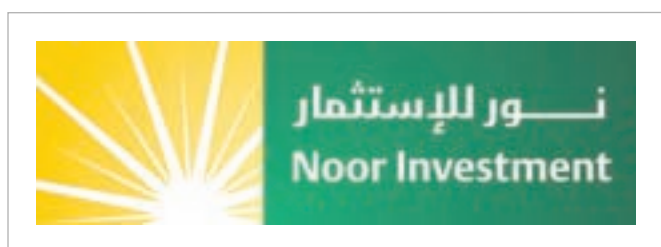
| Shareholding Structure                            | Rs. in millions | %          |
|---|-----------------|------------|
| Noor Financial Investment Co, Kuwait              | 3,944           | 49         |
| Pakistan Kuwait Investment Company (Pvt.) Limited | 2,409           | 30         |
| Islamic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

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

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

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

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

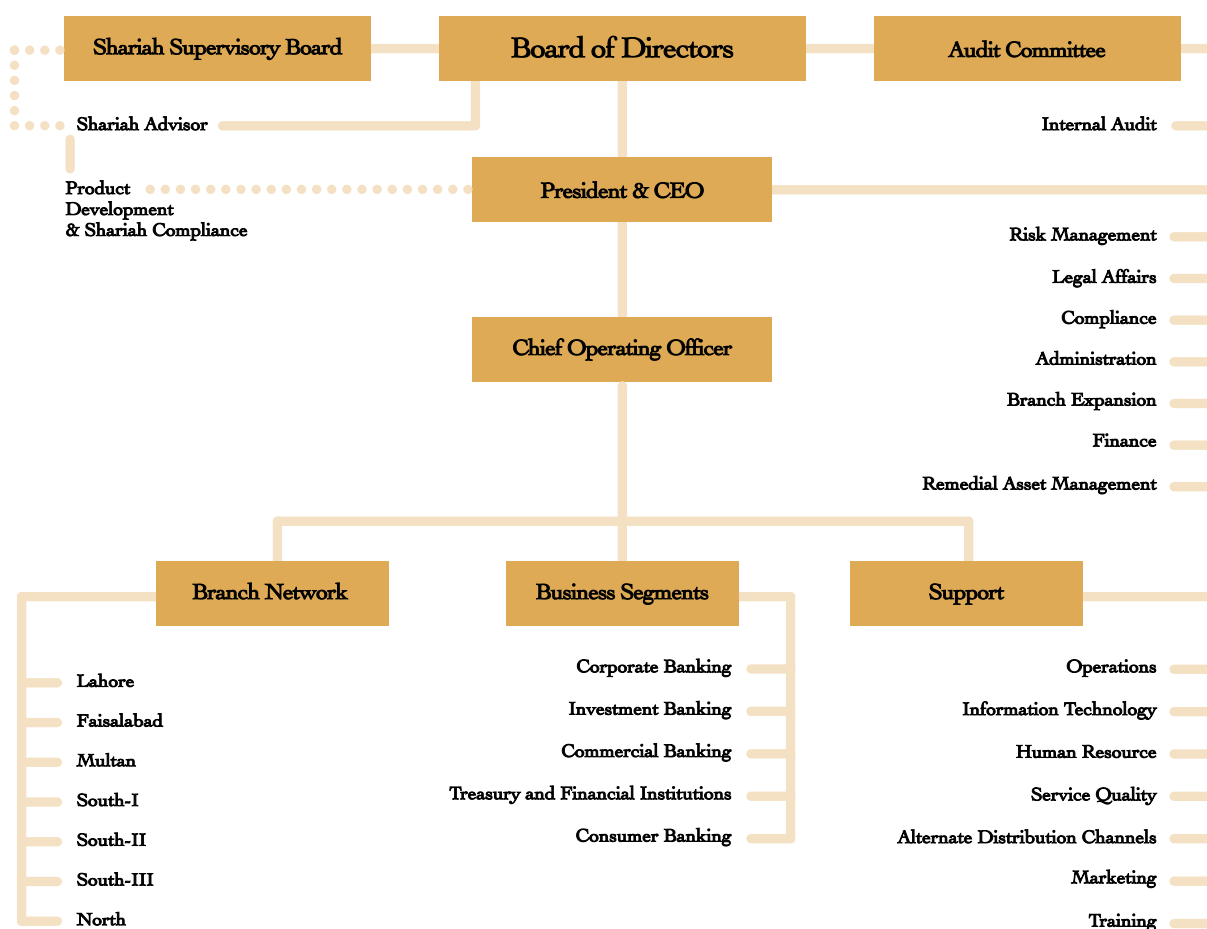




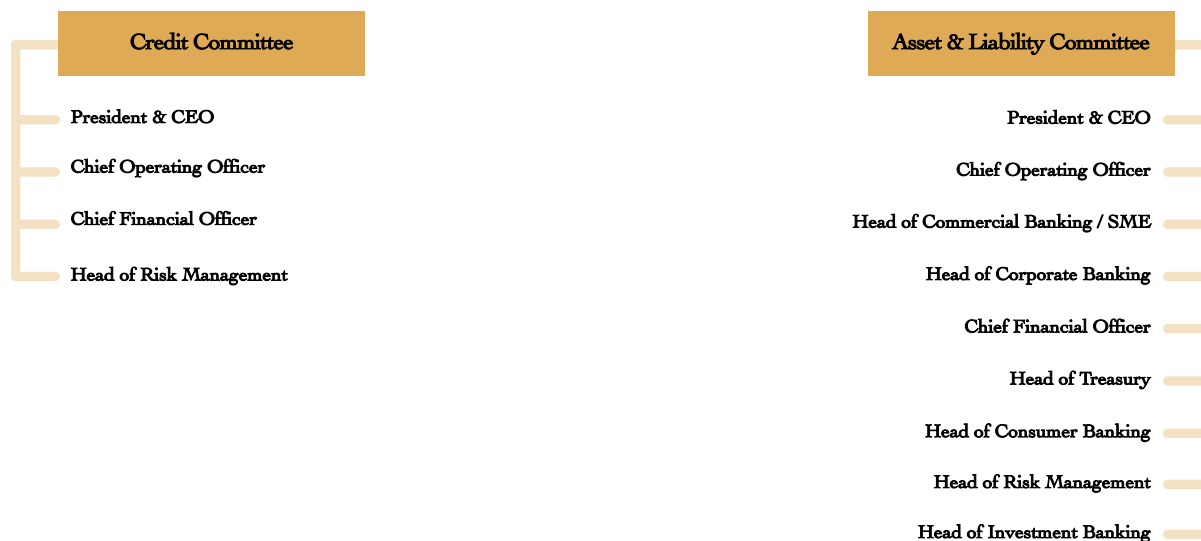


THE BOARD ROOM AT MEEZAN HOUSE

# Organisation Structure



## Composition of Significant Management Committees



## Corporate Information

### Board of Directors

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

### Shariah Supervisory Board

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

### Audit Committee

|                           |
|---------------------------|
| Mian Muhammad Younis      |
| Ahmed Abdul Rahim Mohamed |
| Mohammad Abdul Aleem      |

### Risk Management Committee

|                      |
|----------------------|
| Alaa A. Al-Sarawi    |
| Mian Muhammad Younis |
| Ariful Islam         |

### Human Resource Committee

|                           |
|---------------------------|
| Ahmed Abdul Rahim Mohamed |
| Abdullateef A. Al-Asfour  |
| Irfan Siddiqui            |

### Company Secretary

|                       |
|-----------------------|
| Tasnimul Haq Farooqui |
|-----------------------|





## **Management**

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

## **Shariah Advisor**

Dr. Muhammad Imran Usmani

## **Auditors**

KPMG Taseer Hadi & Co.

## **Registered Office**

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

## **E-mail**

info@meezanbank.com

## **Website**

www.meezanbank.com

## **Shares Registrar**

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

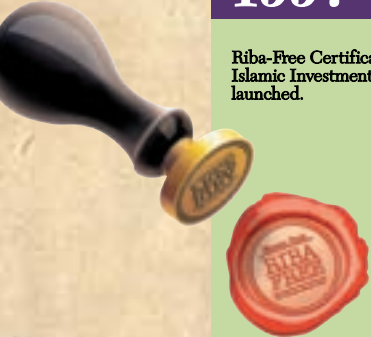




# میزان



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

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



| 1997   | 2002   | 2003  | 2004   |
|--|--|---|--|
| <p>Riba-Free Certificates of Islamic Investment launched.</p>  | <p>Deposit base stood at <b>Rs. 5.08 billion</b></p> <p><b>Car</b> <small>اچاره</small><br/>Meezan Bank</p> <p>Pakistan's first Shariah-compliant Auto Finance product is launched</p>  <p>Islamic Export Refinance scheme is introduced in coordination with SBP</p> <p>SME operations start as an independent business unit</p> | <p>Branch network reaches 10 branches nationwide while the deposit base grows to <b>Rs. 7.7 billion</b></p>  <p>Al Meezan Investment Management Limited becomes a subsidiary of Meezan Bank through acquisition of majority shares</p> | <p>Deposit base grows to <b>Rs. 13.7 billion</b></p> <p>Number of branches reaches <b>16</b></p>  <p>A 24/7 Call Center is established and ATM/Debit Cards as well as new ATMs are introduced</p>  <p>Online Banking is launched across all branches</p> <p>SBP establishes a dedicated Islamic Banking Department and constitutes a Shariah Board</p> |

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

**DR. ISHRAT HUSAIN**

Governor State Bank of Pakistan, December 1999 - December 2005



| <p><b>Meezan Bank wins Best Islamic Bank in Pakistan</b></p> <p><i>Islamic Finance news Awards</i></p>                        | <p><b>8 TO 8</b></p> <p><b>BANKING</b><br/>introduced for the first time in Pakistan</p>  | <p>Celebrating <b>100</b> Branches</p> <p><b>Branch network reaches the milestone number of 100 branches in 31 cities</b></p>   | <p><b>Launch of first Government of Pakistan Ijarah Sukuk</b></p>   |
|--|---|---|---|
| 2005   | 2006  | 2007  | 2008  |
| <p>Deposit base grows to <b>Rs. 22 billion</b></p> <p>Number of branches reaches <b>28</b></p>   | <p>Deposit base grows to <b>Rs. 34 billion</b></p> <p>Number of branches reaches <b>62</b> in 21 cities</p>   | <p>Import/Export business reaches <b>Rs. 70 billion</b></p> <p>Deposit base grows to <b>Rs. 54 billion</b></p>  | <p>Deposit base grows to <b>Rs. 70 billion</b></p>  |
| <p>Meezan Islamic Institution Deposit Account launched as a product tailored for Islamic Financial Institutions enabling them to manage their excess liquidity through a checking account with Meezan Bank</p> | <p><b>Best Islamic Bank in Pakistan</b></p> <p><i>Islamic Finance news Awards</i></p> <p><b>Internet Banking</b> launched</p>  | <p>Introduction of Istisna financing for the working capital needs of customers</p>  <p><b>Best Islamic Bank in Pakistan</b></p> <p><i>Islamic Finance news Awards</i></p>  | <p>Introduction of Tijarah financing allowing customers to raise funds for financing of stocks of finished goods</p> <p>First dedicated Islamic Banking Training Centers established in 3 cities</p>   |
| <p>Dollar Mudarabah Certificates and Special Musharakah Certificates launched for liquidity management and inter-bank market</p>   |   |   | <p><b>Best Islamic Bank in Pakistan</b></p> <p><i>Islamic Finance news Awards</i></p> <p><b>Best Islamic Financial Institution in Pakistan</b></p>  <p>Branch Network expands to 40 cities</p>  |

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

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

**DR. SHAMSHAD AKHTAR**  
Governor State Bank of Pakistan, January 2006 - January 2009





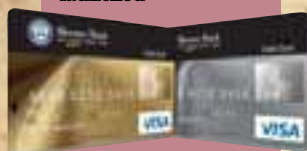
**201**  
Branches

**54**  
Cities

Deposit base crosses  
**Rs. 100 billion**

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

Meezan **VISA**  
Debit Cards  
launched



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

Over **222**  
Branches

Over **63**  
Cities



**Meezan House**  
inaugurated

**275**  
Branches

**83**  
Cities

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

**2009**

**2010**

**2011**

**CFA**  
ASSOCIATION  
PAKISTAN  
Islamic Bank of the Year

**ASIAMONEY**  
Best Islamic Bank  
in Pakistan

Best Islamic  
Financial  
Institution in  
Pakistan



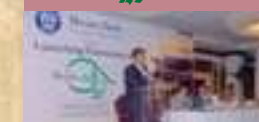
**Islamic Finance news**  
*Awards*

Best Islamic Bank in  
Pakistan

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

A Hajj and Umrah product

Meezan **دیس** launched



**TEMENOS**  
The Banking Software Company

Implementing of new  
core banking application  
T24 starts

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

Best Islamic  
Financial  
Institution in  
Pakistan



**Islamic Finance news**  
*Awards*

Best Islamic Bank in  
Pakistan

Best Islamic  
Bank in  
Pakistan



Best Islamic Trade  
Finance Bank in Pakistan

Best Islamic Deal - Pakistan

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

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

**Meezan**  
**Business**  
**Plus**

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

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



Total assets  
of the Bank cross  
**Rs. 200 billion**

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

Best Islamic  
Financial  
Institution in  
Pakistan



**Islamic Finance news**  
*Awards*

Best Islamic Bank in  
Pakistan

**CFA**  
ASSOCIATION  
PAKISTAN

Islamic Bank of the Year

Technical services and  
support agreement with



in Sri Lanka

Launch of  
Meezan  
**LaptopEase**



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

**WESTERN UNION**

Home remittance service  
available at all branches

Launch of Running  
Musharakah for working  
capital requirements of  
corporate customers

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

## Product Information

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

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

### Meezan Rupee Current Account

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

### Meezan Rupee Savings Account

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



### Meezan Bachat Account

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

### Karobari Munafa Account

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

### Meezan Business Plus Account

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



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

### **Dollar Savings Account**

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

### **Euro Savings Account/Pound Savings Account**

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

### **Certificates of Islamic Investment**

Certificates of Islamic Investment are Term Deposit certificates for investment periods ranging from 3 months to 5 years with profit payment on monthly, quarterly and maturity basis. Minimum investment required for quarterly and maturity profit payment option is Rs. 50,000. However, Rs. 200,000 is required as a minimum investment amount for a monthly profit payment option and there is no limit on maximum investment. Pre-mature withdrawals can be made as per the approved schedule.



### **Meezan Amdan Certificate**

Meezan Amdan Certificate is a Term Deposit certificate that offers a higher expected monthly profit to investors for periods of 5½ and 7 years. It is ideal for those individuals and businesses who need a regular stream of monthly income. Minimum investment required is Rs. 100,000 for regular customers, while for widows and senior citizens, the minimum investment is Rs. 50,000. Pre-mature withdrawals can be made as per the approved schedule.

### **Monthly Mudarabah Certificate**

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

### **Dollar Mudarabah Certificate**

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

### **Meezan Labbaik Savings Aasaan**

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

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

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

#### **Meezan Labbaik Travel Aasaan**

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

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

#### **Car Ijarah**

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



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

#### **Easy Home**

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

#### **Laptop Ease**

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



### Online Banking

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

### Meezan VISA Debit Card

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

### Internet Banking

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

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



### SMS Alerts

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

### Meezan ATM Network

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

### Meezan QuickPay

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



## GRANITE

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







## The Year in Review

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## Chairman's Review



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





Alhamdulillah, all praises and thanks to Allah.

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

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

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

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

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

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

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

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

A handwritten signature in blue ink, appearing to read "S. Khalifa", with a stylized flourish at the end.

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

February 19, 2012

## Vice Chairman's Message



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

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



**Abdullateef A. Al-Asfour**  
Vice Chairman



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



## Charity for Social Welfare

Alhamdulillah, Meezan Bank's operations and corresponding financing transactions grow substantially every year. As a result of this growth, the amount collected on account of charity also increases every year. The Shariah Advisor and Shariah Supervisory Board of the Bank monitor this process and the charity account operates under their guidance and approval, so as to ensure that the funds from this account are utilized for promotion of social and welfare causes in the society.

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

### CSR Initiatives in the Education Sector

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

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



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

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



### CSR Initiatives in the Health Sector

#### ▣ Children Cancer Hospital

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



Meezan Bank also facilitated Children Cancer Hospital (CCH) Karachi in their campaign for collection of Zakat. All the branches of Meezan Bank in Karachi displayed standees and distributed flyers of CCH during the month of Ramazan 2011, providing information about the organization and appealing to the public for donation and Zakat. This collaboration was of great help to CCH since substantial funds were collected through this campaign.

#### □ Sindh Institute of Urology and Transplantation

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



#### □ Shaukat Khanum Memorial Cancer Hospital

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



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

### Trainings

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

#### □ Special Orientation and Presentation to The Citizens Foundation

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



### CSR Initiatives in the Social Welfare Sector

#### □ Support for Swat Open Scouts

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

#### □ Flood Relief efforts

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



# Business and Operations Review

## Business Review

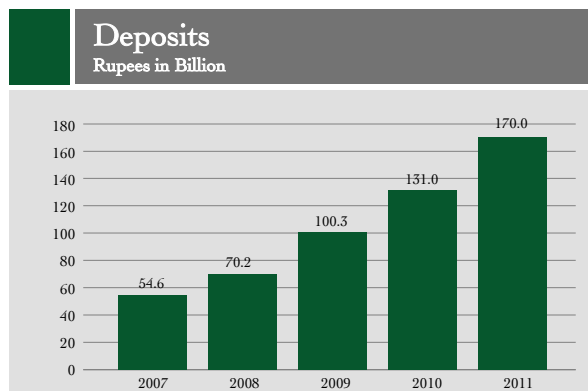
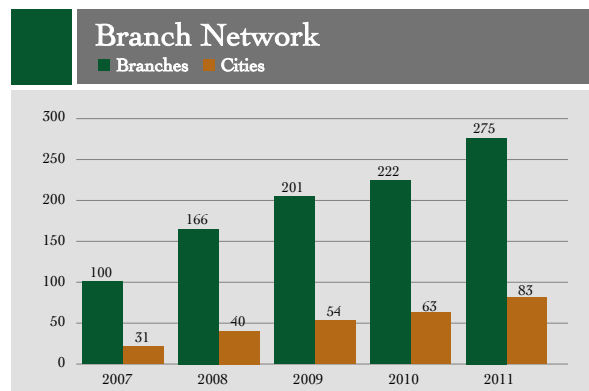
Alhamdulillah, Meezan Bank made good progress during the year under review. The focus has been to consolidate and strengthen systems and processes while, at the same time, maintaining growth.

### Branch Network & Deposits

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

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

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

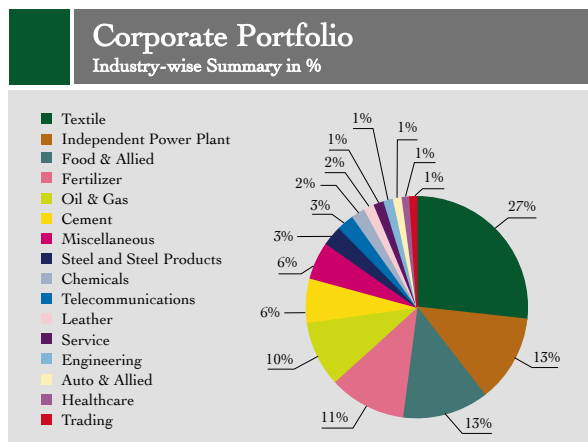


## Corporate Banking

The Corporate Banking department provides financing and financial services to large corporate and institutional clients, including public sector entities. The Bank offers a broad range of products to cater to short, medium and long-term financing needs along with Trade Finance facilities for imports and exports.

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

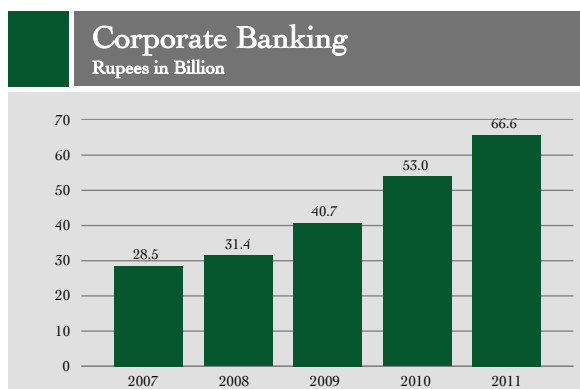
The total Corporate portfolio of the bank grew by 21.5% to reach Rs. 66.6 billion. In addition, the Bank also grew its Trade Finance (import and export) business by 26.3%, handling total trade business of Rs. 120 billion during 2011. The focus of the Bank's Corporate Banking business remained on targeting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





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

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



## Investment Banking

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

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

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

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

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

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

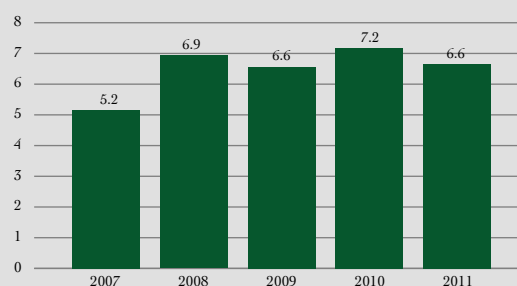
## Commercial Banking (including Small & Medium Enterprises)

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

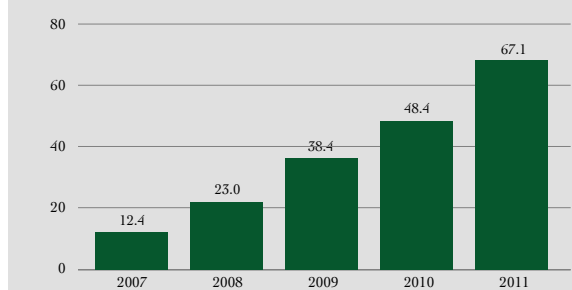
The Bank consolidated its presence in this market segment during 2011 while maintaining strong financing quality. The Commercial Banking asset portfolio stood at Rs. 6.64 billion whereas the Trade Finance business booked during the year amounted to Rs. 67 billion. The Bank's customer base of over 1,200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

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

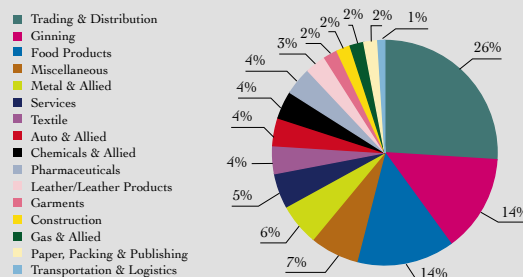
### Commercial Banking Assets Rupees in Billion



### Commercial Banking Trade Business Performance Rupees in Billion



### Commercial Banking Portfolio



## Consumer Banking

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

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

Meezan Bank  
Celebrates  
Azaadi from Riba

**RIBA SEY AZADI KA MAHINA** ربا سے آزادی کا مہینہ

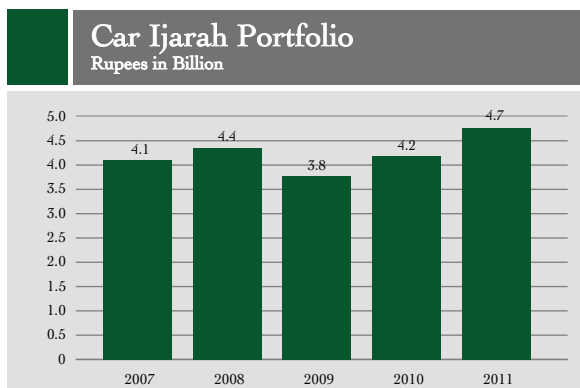
During the month of Ramadan, which also happened to be August, the month of Azadi, Meezan Bank launched a phenomenal campaign for its customers: Riba Sey Azadi Ka Mahina. Whether customers were looking to open a bank account for business or for personal use, Meezan Bank understood that at least in that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

## Car Ijarah (Auto Finance)

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

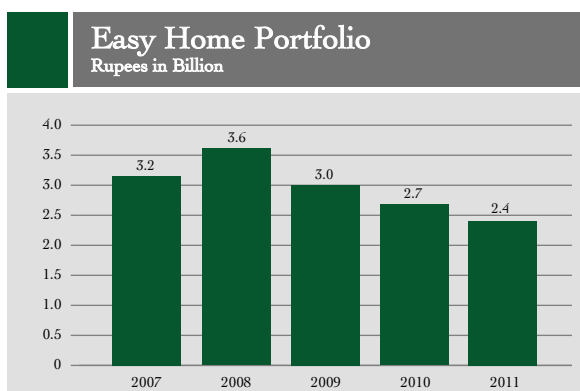
Meezan Bank's Car Ijarah portfolio, that has been built-up over a 10 year period, currently stands at Rs. 4.7 billion with over 8,000 active vehicle contracts - the portfolio includes both new and used cars. One of the notable achievements of the year is the successful launch of a co-branded Ijarah product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

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



## Easy Home (Housing Finance)

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



## Laptop Ease (Laptop Finance)


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

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


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

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


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



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



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



**Meezan Bank**  
The Premier Islamic Bank



## Treasury & Financial Institutions

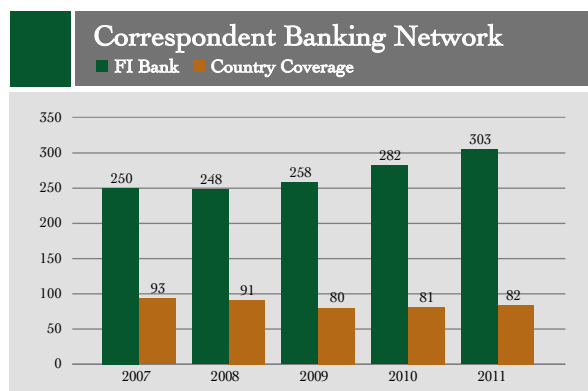
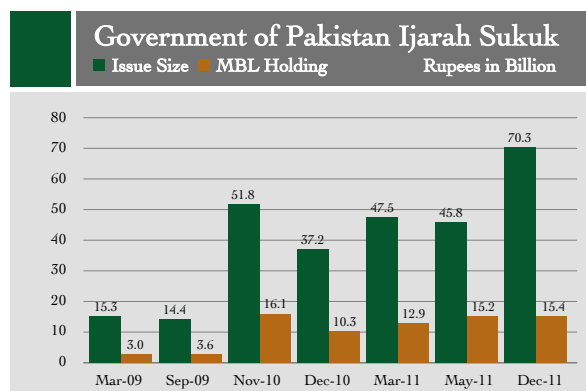
Meezan Bank's Treasury has established itself as an active and formidable player in the local foreign exchange and money markets. The department has done an excellent job in managing the liquidity of the Bank within the constraints of Islamic banking and also worked hard at developing a secondary market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

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

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

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

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



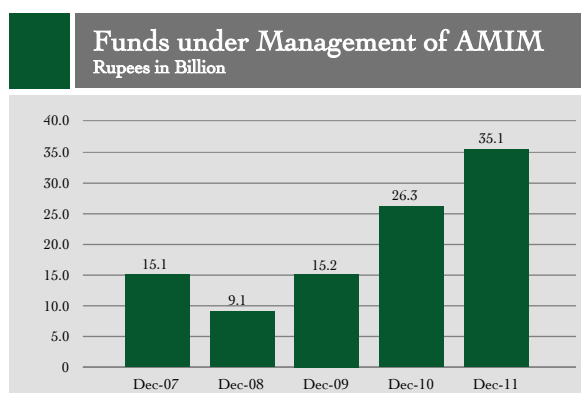
**The Chairman of the Bank visiting the new dealing room on the day of inauguration of Meezan House**



## Al Meezan Investment Management Limited

### Asset Management

The asset management business of Meezan Bank is managed by its subsidiary, Al Meezan Investment Management Limited (AMIM). The company has been in operations since 1995 and has one of the longest and most consistent track records among private sector companies managing mutual funds in Pakistan. It also has the distinction of being the only asset management company in Pakistan with the exclusive mandate of providing Shariah-compliant investment solutions to its investors. With assets under management of over Rs. 35 billion as at December 31, 2011, AMIM is one of the largest private sector asset management companies in Pakistan and is rated AM 2 by JCR-VIS Credit rating Company, denoting high management quality with a stable outlook.



The Product Development and Shariah Compliance team of Meezan Bank ensures compliance of funds under management of AMIM according to Shariah guidelines issued by the Shariah Advisor. The Product Development team at AMIM works proactively to introduce new Shariah-compliant investment structures.

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

**Al Meezan launches MCPF-II in partnership with Meezan Bank ►**



#### MEEZAN CAPITAL PROTECTED FUND-II

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

## Operations Review

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

### Product Development & Shariah Compliance

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

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

### Product Development and Research

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

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

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

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

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

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

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

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



#### ▣ Retail Banking Products

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

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

#### ▣ Internal Training

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

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

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

#### ▣ External Training & Awareness initiatives

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

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



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

#### ▣ Shariah-compliance and Audit

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

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

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

#### ▣ Islamic banking & Shariah Advisory Services


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

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


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


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

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



**Meezan Bank signs  
Shariah technical  
services and support  
agreement with  
Amana Bank, Sri Lanka**

**Amāna Bank** 

 **Meezan Bank**  
The Premier Islamic Bank

## Operations

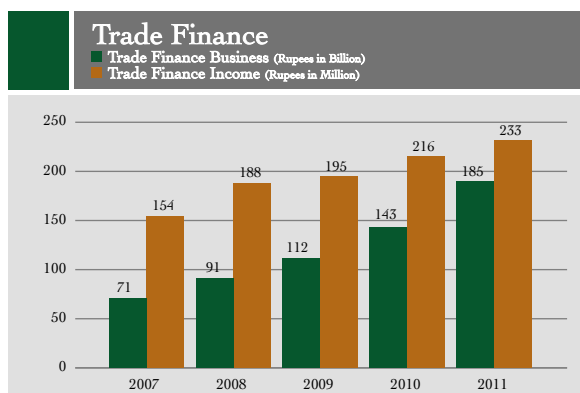
The Operations department is responsible for complete back-office processing for Branch Banking, SWIFT, Cash Houses, Trade Finance, Credit Administration, Treasury, Capital Market, Alternate Distribution Channels, Mutual Funds and Home Remittances. The primary function of the Operations department is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

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

Trade Finance is an important unit of the Bank's Operations department. Alhamdulillah, during the year, the total volume of business handled by the unit crossed Rs. 185 billion (2010: Rs. 143 billion).

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

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



## Information Technology (IT)

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



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

▣ **Business Intelligence Tools**

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

▣ **Improved Communication**

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

▣ **Information Security**

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

▣ **Business Continuity Planning**

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



High performance  
servers at the Bank's  
purpose-built  
Data Center in Karachi

## Alternate Distribution Channels

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

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

Meezan Bank's Visa Debit Card continues to gain customer acceptance, with the card base growing to over 230,000 cards. To enhance the usage of this card, the Bank announced a number of promotions with well-reputed retailers such as KFC, Meat One, ChenOne, Pie in the Sky, Cotton & Cotton and Singer, offering complimentary benefits and discounts to customers. Gold card customers continued to enjoy complimentary access to CIP lounges at all airports in major cities of Pakistan.



ChenOne



SINGER Plus

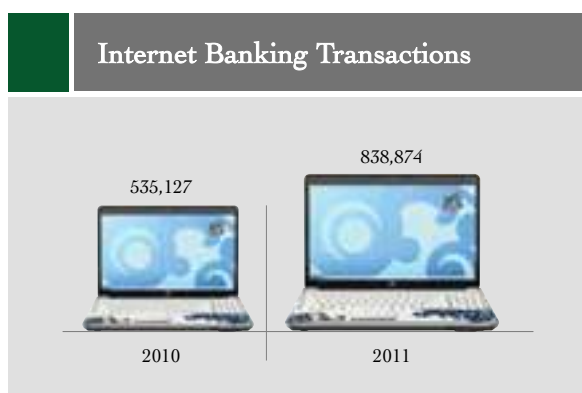


Cotton & Cotton



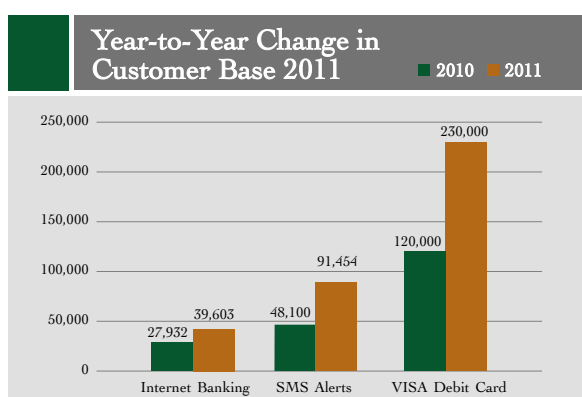
Meezan Bank's Call Center handled more than 950,000 calls during the year and customers can avail its services 24/7 to access their account information or for carrying out banking transactions such as issuance of pay orders, ordering of cheque books and products-related inquiries.

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



Meezan Bank's SMS Alerts service acts as both a convenient utility and a security feature. More than 39,000 new customers availed this facility during the year, taking the total to over 91,000 registered users. SMS Alerts service plays a vital role in instantly updating customers on all account activity which also serves as a useful tool in allowing customers to identify any possible fraudulent activity in their accounts.

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



## Human Resources

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

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

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

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

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

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

## Learning & Development

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

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

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

**The Learning  
Center at  
Meezan House**





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



## Our Service Mission

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

### Service Quality

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

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

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

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

## Directors' Report to the Members

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

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

### Economic Overview

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

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

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

### Operating Results

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

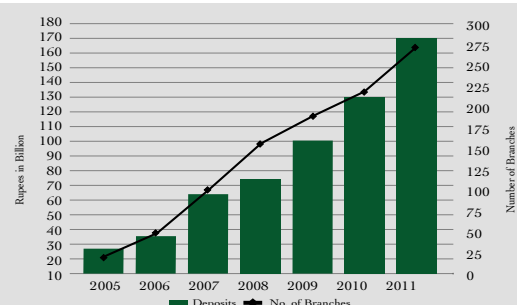
Alhamdulillah, Meezan Bank recorded excellent all round results for the year ended December 31, 2011. The Bank's profit after tax more than doubled to Rs. 3,391 million from Rs. 1,650 million in the previous year reflecting a substantial increase of Rs. 1,741 million.

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

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

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

#### Total Branches vs Deposit Growth

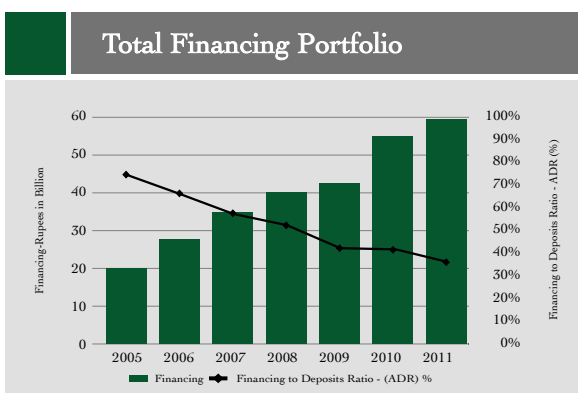


at 14.6%. This growth has been achieved notwithstanding the fact that average cost of deposits has been maintained at levels very close to the previous year.

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

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

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



The profit after tax has been arrived at after making specific provisions amounting to Rs. 948 million and general provision amounting to Rs. 523 million during the year ended December 31, 2011. The general provision has been made adopting prudent approach and to strengthen the asset quality against potential non-performing financings. This additional provision has increased coverage ratio to 114% of the non-performing financing portfolio.

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

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

The key business results achieved in 2011 are as under:

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



## Financial Results

Rs. in million

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

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

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

## Earning Per Share

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

## Dividend

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

## Credit Rating

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

## Corporate Awards and Recognition

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



## Corporate and Financial Reporting Framework

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

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

## Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulation relevant for the year ended December 31, 2011 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

## Risk Management Framework

The Bank manages risk through a framework of sound principles which includes robust organizational structure, policies, risk assessment and monitoring process that are closely aligned with our strategy. Overall responsibility of risk management rests with the Board of Directors and it performs its duties through Risk Management Committee (RMC) comprising of Board members.

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

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

The Credit Committee is responsible for approving, monitoring and ensuring that financial transactions are within the acceptable risk rating criteria. ALCO is responsible for reviewing and recommending all market risk and liquidity risk policies and ensuring that sound risk measurement systems are established and comply with internal and regulatory requirements. The ICORMC ensures adequate internal controls and systems are in place thereby ensuring operating efficiency.

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

Well defined policies, procedures and manuals are in place and authorities have been appropriately delegated to ensure credit quality, proper risk-reward trade off, industry diversification, adequate credit documentation and periodic credit reviews. The Bank applies Stress Testing and Value at Risk (VaR) techniques as market risk management tools. Contingency Funding Plan for managing liquidity crisis is in place. Liquidity management is done mainly through cash flow matching, interbank placements and investments in GOP Ijarah Sukuks. The Bank ensures that the key operational risks are measured and managed in a timely and effective manner through policies and procedures, enhanced operational risk awareness, segregation of duties, dual checks and improving early warning signals.

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

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

### **Reporting on Internal Controls**

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

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

### **Pattern of Shareholding**

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

### **Directors**

During the year, Mr. Naser Abdul Mohsen Al-Marri and Mr. Hussam Fawzi Al-Kharafi resigned while Mr. Abdullateef A. Al-Asfour was appointed by the Board as Director to fill the casual vacancy. The Board welcomes the new Director and wishes to place on record its appreciation for the services rendered by the retiring Directors.

### **Auditors**

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their term of five years and are not eligible for reappointment as per the Code of Corporate Governance. The Board of Directors and Audit Committee place on record their appreciation for the services rendered by the retiring Auditors.

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

### **Future Outlook and Strategy**

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

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





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

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

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

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

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

## Acknowledgement

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

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

On behalf of the Board.

Ebrahim Bin Khalifa Al-Khalifa  
Chairman

Irfan Siddiqui  
President and CEO

February 19, 2012

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

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

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

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

| NAME OF DIRECTOR                                    | Meetings Attended |
|---|-------------------|
| H.E. Sheikh Ebrahim Bin Khalifa Al Khalifa-Chairman | 4                 |
| Mr. Abdullateef A. Al-Asfour- Vice Chairman*        | 2                 |
| Mr. Naser Abdul Mohsen Al-Marri**                   | 1                 |
| Mr. Hussam Fawzi Al-Kharafi***                      | N/A               |
| Mr. Rana Ahmed Humayun                              | 3                 |
| Mr. Mohammed Azzaroog Rajab                         | 0                 |
| Mr. Ahmed Abdul Rahim Mohamed                       | 4                 |
| Mr. Nawal Ahmed****                                 | 0                 |
| Mr. Alaa A. Al-Sarawi                               | 3                 |
| Mian Muhammad Younis                                | 4                 |
| Mr. Mohammad Abdul Aleem                            | 4                 |
| Mr. Irfan Siddiqui- President & CEO                 | 4                 |
| Mr. Ariful Islam                                    | 4                 |

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

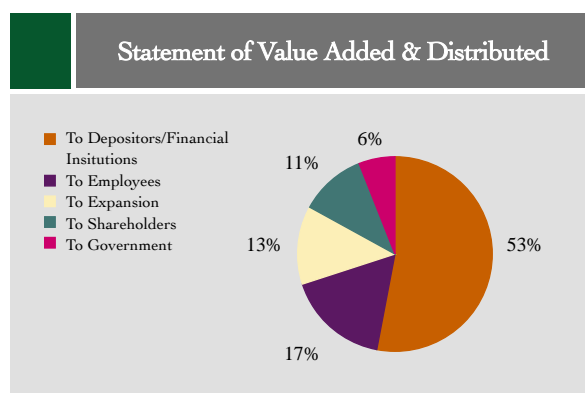
\*\* Ceasing of Office due to change in nomination by sponsor shareholder on April 30, 2011.

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

\*\*\*\* Resigned on March 06, 2011

## Statement of Value Added and Distributed

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





## Allocation of Income and Expenses to Remunerative Depositors' Pool

For the year ended December 31, 2011

|   | 2011              | 2010              |
|---|-------------------|-------------------|
|   | Rupees in '000    |                   |
| Income from financing activities  | 6,689,137         | 5,601,627         |
| Income from investments   | 9,107,656         | 2,916,566         |
| Income from placements with financial institutions  | 1,825,113         | 3,577,045         |
| Other income attributable to pool   | 1,496,178         | 2,088,787         |
| <b>Total Income</b>   | <b>19,118,084</b> | <b>14,184,026</b> |
| Less: Administrative expenses directly attributable to pool (Note)                              | (191,915)         | (194,276)         |
| Less: Profit distributed to other special Pools<br>(including IERS and special musharakah pool) | (1,421,415)       | (1,323,698)       |
| <b>Gross Distributable Income</b>   | <b>17,504,754</b> | <b>12,666,052</b> |
| Mudarib (Bank) share of profit before Hiba  | 8,754,886         | 6,333,900         |
| Less: Hiba from Bank's share to depositors  | (2,138,725)       | (1,281,695)       |
| Net Mudarib (Bank) share of profit  | 6,616,161         | 5,052,205         |
| <b>Rab-ul-Maal share of profit</b>  | <b>10,888,593</b> | <b>7,613,847</b>  |
| <b>Rab-ul-Maal share of profit is distributed as follows:</b>                                   |                   |                   |
| Remunerative depositors' share in mudarabah pool  | 7,649,362         | 5,759,134         |
| Bank equity in mudarabah pool   | 3,239,231         | 1,854,713         |
|   | <b>10,888,593</b> | <b>7,613,847</b>  |

The Bank maintain following four remunerative general pools:

| Type of general pool | Income earned     | Mudarib share of profit | Hiba from Mudarib (Bank) share | Net Mudarib (Bank) share of profit | Remunerative depositors' share in mudarabah pool |
|----------------------|-------------------|-------------------------|--------------------------------|------------------------------------|--|
| <b>2011</b>          |                   |                         |                                |                                    |  |
| Rupee deposit pool   | 17,350,726        | 8,675,363               | 2,138,725                      | 6,536,638                          | 10,814,089                                       |
| Dollar deposit pool  | 146,857           | 73,427                  | -                              | 73,427                             | 73,429   |
| Pound deposit pool   | 3,645             | 3,099                   | -                              | 3,099                              | 547  |
| Euro deposit pool    | 3,526             | 2,997                   | -                              | 2,997                              | 529  |
|                      | <b>17,504,754</b> | <b>8,754,886</b>        | <b>2,138,725</b>               | <b>6,616,161</b>                   | <b>10,888,593</b>                                |
| <b>2010</b>          |                   |                         |                                |                                    |  |
| Rupee deposit pool   | 12,581,429        | 6,290,715               | 1,279,637                      | 5,011,078                          | 7,570,353  |
| Dollar deposit pool  | 82,125            | 41,063                  | 2,058                          | 39,005                             | 43,120   |
| Pound deposit pool   | 1,042             | 1,237                   | -                              | 1,237                              | 156  |
| Euro deposit pool    | 1,455             | 886                     | -                              | 886                                | 218  |
|                      | <b>12,666,052</b> | <b>6,333,900</b>        | <b>1,281,695</b>               | <b>5,052,205</b>                   | <b>7,613,847</b>                                 |

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

## Shariah Advisor's Report

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

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

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

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

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

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

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

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

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

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

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

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

continued to advise Al Meezan Investment Management Limited (AMIM), National Fullerton Asset Management Company Limited (NAFA), KASB Funds Limited and AKD Investment Management Limited for the establishment and launch of various types of Shariah-compliant mutual funds and for matters related to re-composition of KMI - 30 index (KSE Meezan Islamic Index) which is Pakistan's first ever Shariah-compliant Islamic index. Furthermore, Meezan Bank also continued to provide advisory for Islamic consumer sales product to United Sales (Pvt.) Limited (USL), a subsidiary of 'Dawlance' group under the umbrella of Diyanat financing.

### Review of Assets

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

It is encouraging to note that the share of Istisna increased to 15% from 11% and share of Diminishing Musharakah increased to 31% from 26% of the financing portfolio, hence the reliance on Murabaha has lowered to 27% from 33%. The shares of Ijarah and Tijarah transactions share moved downward from 13% & 3% to 11% & 1% respectively. The Bank's total financing portfolio reached Rs. 64.48 billion (gross) as of December 31, 2011. All these transactions were executed using Shariah-compliant financing agreements.

### Review of Liabilities

On the liability side, the Bank offered different Shariah-compliant deposit products based on the mode of 'Mudarabah' and 'Qard'. The total deposits of the Bank observed a growth of 30% and reached a sum of Rs.170 billion as at December 31, 2011. During the year, the Bank accepted deposits on the modes of Musharakah for short-term liquidity management from inter-bank market and corporate clients.

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

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

### Shariah Audit & Compliance Reviews

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

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

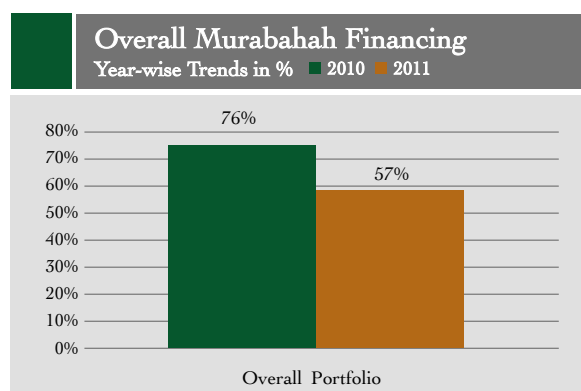
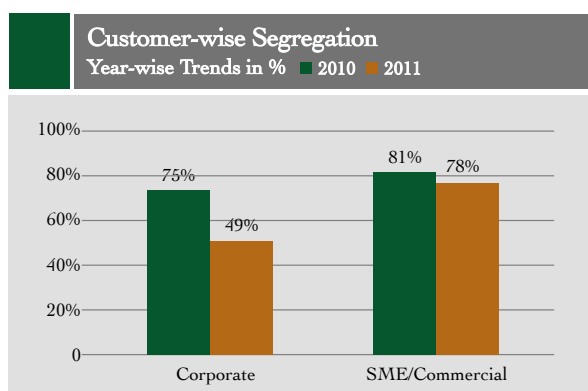
It is a matter of concern that during the year 2011, a decrease of 19% was registered in terms of direct payment for Murabaha financing as the overall percentage of direct payment decreased to 57% in the year 2011 against 76% in the year 2010. As a result of this decrease in customer wise break-up, a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

### Summary of Direct Payment in Murabaha Financing for Meezan Bank

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

(The percentages above are rounded off)





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

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

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

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

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

In addition to the above, as a normal course, the Bank transferred an amount of Rs. 27.01 million to charity account on account of non-timely payment by the customers, in various financial transactions.

#### **Murabaha Monitoring System (MMS)**

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

## Charity

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

## Recommendation

Based on the review of various transactions I recommend that:

- Due care regarding the mindset and commitment towards the cause of Islamic banking should be taken during the process of hiring of new staff. Moreover, it is recommended to increase the scope of Islamic banking knowledge assessment process already implemented for new branch and operation managers to area managers, department heads and new joiners at senior level.
- Additional checks and balances should be put in place to mitigate the risk of loss of income due to non Shariah-compliance, especially in crucial functions like Treasury. In this regard, related control clusters of the Bank be made responsible to ensure that all Shariah-related guidelines are adhered to in true letter and spirit.
- Considering the growing branch network and induction of new employees, the Bank should continue its focus on employees training related to Islamic banking products and services offered by the Bank with specific focus on front-line staff.
- The Corporate, Commercial & SME department and all Regions of the Bank should continue to organize special training workshops for the executives of their financing clients and continue conducting customer awareness seminars.
- The Bank needs to take immediate measures to improve the percentage of direct payments in Murabaha transactions.
- In order to have strong systems and controls for profit distribution and pool management, the Bank should accelerate the implementation process of IT-based pool management, asset allocation and profit distribution system.

## Conclusion

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

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

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

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.



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

Dated: 10th Rabi ul Awal 1433 H / February 3, 2012

## جہیز بنی اصدقاہ و خیرات

رواں سال میں کل 56.69 ملین روپے جہیز بنی اصدقاہ میں منتقل کیے گئے۔ کل 29.49 ملین روپے شریعہ ایڈوائزر سے منظوری کے بعد جہیز بنی سیکنگز اکاؤنٹ سے ادا کیے گئے۔ جہیز بنی سے متعلق تفصیلات نوٹ نمبر 18.4 میں مذکور ہیں۔ شریعہ سپروائزر کی بورڈ کی ہدایات کے مطابق ایک، چار اور احسان ٹرسٹ کے نام سے قائم کیا جا چکا ہے تاکہ جہیز بنی فنڈز کا درست اور موثر استعمال ہو سکے۔

## تجلیاویں

- متحدہ صندوق کا جائزہ لینے کی بنیاد پر جس میں درج ذیل امور مجموعہ کرتا ہوں:
  - سنے ملا زمین کو ملازمت فراہم کرتے ہوئے ان میں اسلامی بینکاری کے مقاصد تک پہنچنے کے عزم و جدت کو خصوصی طور پر مد نظر رکھنا ضروری ہے۔ نیز دیکھا کہ اسلامی بینکاری سے متعلق معلومات کو جانچنے کے لیے جو نظام بینک میں درج ہے اس کے دائرہ کار میں مزید وسعت پیدا کی جائے اور برائے منجھڑ سے لے کر ایئر پورٹ تک اور شیعوں کے سربراہوں تک کی اسلامی بینکاری سے متعلق معلومات کو جانچنے کا ایک نظام ترتیب دیا جائے۔
  - شریعت کی خلاف ورزی کے نتیجے میں آمدنی میں نقصانات کم کرنے کے لیے اضافی نگرانی اور کنٹرول کے طریقہ کار وضع کیے جائیں، خصوصاً ایسے شعبوں میں جن کے معاملات شرعی اعتبار سے وقت نظر کے بھی متقاضی ہیں اور جہاں معاملات سے حاصل ہونے والے نفع کی مقدار بھی عموماً زیادہ ہوتی ہے، (مثلاً ٹریڈری ڈیپارٹمنٹ) ایسے شعبوں کے معاملات کی نگرانی میں اور بھی زیادہ ترقی و تحقیق و کار کا رہے۔ چنانچہ بینک کے کنٹرولر سے متعلق تمام اہل اہل بات کے ذمہ دار ہوں کہ وہ شرعی ہدایات کی روح اور مقصدیت کو سامنے رکھتے ہوئے ان ہدایات کی خلاف ورزی سے اجتناب کرانے کی ہر ممکن کوشش کریں۔
  - بینک کی روز افزوں معیہ پر ترقی، اس کی برائے اور ملازمین کی تعداد میں اضافہ کی بنا پر اسلامی بینکاری کی پروڈکٹس اور بینک کی طرف سے پیش کردہ خدمات کے بارے میں ملازمین (اور خصوصاً فرنٹ آفس کے ملازمین) کا معیار معلومات مزید بڑھانا اور ان کی مزید تربیت کا انتظام کرنا نہایت اہم ہے، بینک کو چاہیے کہ اس جانب اپنی توجہ برقرار رکھے۔
  - کارپوریٹ، گورننس اور ایس ایم ای ڈی پارٹنرشپس اور بینک کے تمام علاقہ جات (Regions) اپنے قوانین کا نیکو کے لیے خصوصی تربیتی پروگرام منعقد کریں، نیز کانٹینس کی آگاہی کے لیے شروع کیے گئے سیمیناروں کا سلسلہ جاری رکھیں۔
  - بینک کو چاہیے کہ وہ متروک وراثت میں براہ راست ادا کیوں کے فی صدی تناسب میں اضافے کے لیے فوری اقدامات کرے۔
  - نفع کی تقسیم اور پول منجھڑ کے لیے مضبوط نظام اور کنٹرولز کو قائم کرنے کے لیے بینک کو یہ بھی چاہیے کہ IT کی بنیاد پر کی جانے والی پول منجھڑ مختلف اکاؤنٹوں کو (مختلف پاز کی طرف) منسوب کرے، اور نفع کی تقسیم کے نظام کو جلد از جلد عمل میں لائے۔

## خلاصہ کلام

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

بینک کی طرف سے انجام کردہ مختلف متروک وراثت، اس کے طریقہ کار، ملازمین کا طریقہ کار اور ان کے متعلق انتظامیہ کی دی گئی رہنمائی کے جائزہ کی بنیاد پر ہماری رائے میں رواں سال میں بینک کی طرف سے کیے گئے متروک اسلامی شریعت کے ان اصولوں اور ہدایات کے مطابق ہیں جو میزبان بینک کے شریعہ سپروائزر کی بورڈ اور شریعہ ایڈوائزر اور اسٹیٹ بینک آف پاکستان کی طرف سے جاری کی گئی ہیں۔ اس جائزہ کے دوران جو تفسیر شرعی آمدنی پائی گئی وہ جہیز بنی میں منتقل کی جا رہی ہے۔

اللہ تعالیٰ سے دعا ہے کہ وہ ہماری رہنمائی ان راہوں کی طرف کرے جو اس کی رضا کا باعث ہوں، آمین و تاجرت میں کامیابیوں سے نوازاں اور ہماری غلطیوں اور غلط فہمیوں سے درگزر فرمائے۔ آمین۔

والسلام علیکم ورحمۃ اللہ وبرکاتہ

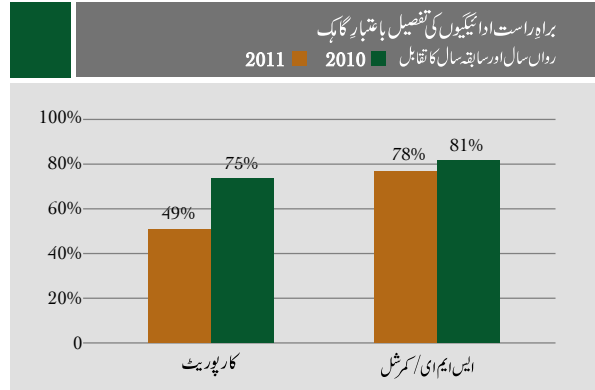
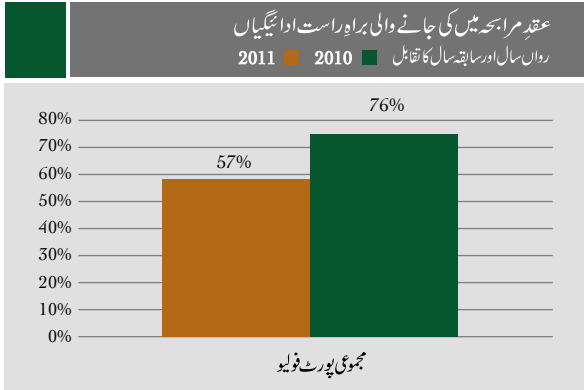


ڈاکٹر محمد عمران عثمانی

ممبر شریعہ سپروائزر بورڈ، شریعہ ایڈوائزر

مؤرخہ: ۱۱/۱۱/۱۴۳۳ھ / ۳۰ فروری ۲۰۱۲ء





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

- بینک کے متعلقہ اہلکاروں کی اسلامی بینکاری کے بنیادی ڈھانچوں اور مضامینات کے بارے میں معلومات کو بھی ترقیاتی مجالس اور اجتماعات کے ذریعے حاصل کیا گیا۔
- بینک کی مجموعی طور پر شریعی قوانین کی مطابقت اور شریعی دائرہ وائزر اور شریعی سرورائزری بورڈ کی طرف سے دی گئی ہدایات پر عمل کو جانچنے کے لیے آڈٹ کیا گیا۔ جس کے دوران درج ذیل امور کو بطور خاص پرکھا گیا:
  - انوائس اور خریداری کے دیگر رجسٹروں کی جانچ پڑتال کی گئی ہو، نیز بعض سپلائرز کے مقام کا معائنہ کر کے اس کے موجود ہونے کی بھی تصدیق کی گئی ہو۔
  - عقدہ مراہمی کی انجام دہی کے وقت اصلی ثبوت خریداری فراہم کیے گئے ہوں، تاکہ سپلائر کی سائبر وائٹ لاء اور رقم کی ادائیگی مراہمی کی حوصلے سے نہ کی جائے۔
  - مراہمی، چارہ، مشارکت، قصہ، مصناج، تجارت اور بیعہ علم کے معاہدات
  - وائٹریٹن، ڈاکٹو کی تصدیقات، متعلقہ خریداری کی رسیدیں، دستاویزات کے خلاف کی ترتیب، مراہمی میں بینک کی طرف سے کی جانے والی خریداری میں مدت کا فرق نکلتا ہے۔
  - مراہمی مؤثر ٹریڈنگ فیس اور تاخیر سے موصول ہونے والی ڈکریٹیشن
  - پرچیز ڈی (رسید خریداری) ملکیت سے متعلق اطراہیات کی تصدیقات، متواد چارہ میں اجرتیں موصول کرنے کا طریقہ کار۔
  - مشارکت قصہ کی بنیاد پر کی گئیں تو بیعہ (House Financing) میں ملکیت کا تناسب اور وقت پر خریداری کی رسیدوں کا اجرا۔
  - اسٹاک ایکسچینج میں اسکریننگ سے متعلق ہدایات کی کس حد تک اتباع کی گئی۔
  - اپورٹ فاکٹس رائز سیکٹر اور متعلقہ دستاویزات۔
  - گاہکوں کی ادائیگیوں، پرچیز سائیکل، ماورجیک کے طریق قبول کا کوئی نوٹا جائزہ
  - دیگر متعلقہ دستاویزات اور ان کی مطابقت کا طریقہ کار۔
  - قلع کی شرح کا تناسب، قلع کے موازن، پورٹ کا طریقہ کار، ڈیپازٹ پروٹیکشن کے لیے ڈاکٹو اور ڈیپازٹس کی قیمتیں۔

اس سال دوسرا براہ راست ڈکریٹیشن جو بعض برانچوں میں دیکھا گیا وہ اب واعدہ خریداریوں کی ادائیگیوں کے لئے مراہمی کے ذریعہ حاصل شدہ رقم کا ملحد استعمال تھا، نیز انوائس میں بھی تبدیلی کر دی گئی تھی۔ اس معاملہ کا شرعی اعتبار سے تفصیلی جائزہ لیا جا رہا ہے، جس کے بعد حتمی طور پر ان معاملات کے ذریعہ کمائے گئے 10.95 ملین روپے کے جواز یا عدم جواز کا فیصلہ کیا جائے گا۔ جب تک حتمی طور پر اس رقم کا فیصلہ نہیں ہو جاتا اس وقت تک کے لیے 10.95 ملین روپے کو بینک کی آمدنی سے الگ کر دیا گیا ہے۔ مزید برآں 0.762 ملین روپے چربی کا کازت میں جمع کرائے گئے اور 1.1396 ملین روپے چربی کا کازت میں دے دیے گئے کی بھی ہدایت کر دی گئی ہے تاکہ اسٹاک ایکسچینج میں جائزہ گیری کی سرمایہ کاری پر جو ڈیپازٹ حاصل ہو اس میں سے سودی رقم کو الگ کر دیا جائے۔ دوران سال بینک کے کارپوریٹ فارمنٹ میں چھاپے فتوہ کے جن میں فتوہ مسکلیات سے متعلق مجوزہ دستاویزات کو استعمال کرتے ہوئے فتوہ کی تصدیق نہیں کی گئی۔ نیز ان فتوہ کے ماسہات کو ملحوظ کرنے میں بھی چند غلطیاں ظاہر ہوئیں۔ اگرچہ یہ غلطیاں اس دور سے کی گئیں ہیں جن کی بنا پر یہ فتوہ قاسد ہو جائیں، البتہ متعلقہ شعبہ کو چاہیے کہ وہ فیڈرل کے کنٹرول سے متعلق نظام میں مزید بہتری لائے، تاکہ آئندہ ایسی غلطیوں سے اجتناب کیا جاسکے۔

ماقبل میں ذکر کردہ رقم کے علاوہ کسٹمرز کی طرف سے متعدد رجسٹری فتوہ میں تاخیر سے ادائیگی کی مد میں حاصل شدہ 27.01 ملین روپے چربی کا کازت میں منتقل کر دیے گئے۔

مراہمی مؤثر ٹریڈنگ سسٹم  
فتوہ مراہمی کی مسلسل نگرانی کے لیے ایک کمپیوٹرائزڈ نظام قائم کیا گیا ہے جس کے مطابق وہ تمام برانچوں جو مراہمی کی بنیاد پر قبول فراہم کرتی ہیں ان کے لیے ضروری ہے کہ ہر مراہمی سے متعلق بنیادی معلومات پر مشتمل شیٹ برانچ / ڈپارٹمنٹ جنٹل کے جائزے کے بعد بروہہ منتہ میں شریعی ڈیپارٹمنٹ (PDSC) کو ارسال کی جائے تاکہ تمام فتوہ مراہمی کی مطابقت میں غلطی سے محفوظ رہا جاسکے۔ فتوہ مصناج اور چارہ کے لیے بھی ایسی نظام مرتب کیا جاتا ہے۔



## ایمانیوں کا جائزہ

۱۰۔ بیاضی کا جائزہ

درواں سال میں بینک کی ڈپازٹ سائیڈ سے متعلق درج ذیل امور انجام دیے گئے:

شریعت آڈٹ اور کمپلائنس

عقیدہ مرا، کہ میں پر اہم راستہ ادائیگیوں کا خلاصہ

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

## شریعی ایڈوائزر رپورٹ

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

الحمد لله، وزیر مصلحت سال میزان بینک لمیٹڈ کا اسلامی تجارتی بینکاری کا دسواں سال ہے۔ اس سال بینک نے شریعی ایڈوائزر بورڈ/شرعی ایڈوائزر کی منظوری کے بعد کئی نئی اور متنوع الاقسام پر وڈ کنٹریس متعارف کرائیں۔ دسواں سال شریعی ایڈوائزر کی طرف سے میزان بینک کی مختلف جدید پروڈکٹس، محدود طریقہ عمل اور ان کے عملی انعقاد کو چیک کرنے کا طریقہ کار شریعی ایڈوائزر بورڈ کے غور اور جائزہ کے لیے پیش کیا گیا، چنانچہ اس سلسلے میں میزان بینک کے شریعی ایڈوائزر بورڈ اور ایگزیکٹو ٹیم کی رائے کے واپس منظر پر آئے۔

مطلوبہ کی جانچ و جانال کے طریقہ کار کو مزید موثر بنانے کے لیے ایک مستقل شعبہ ”پروڈکٹ ڈیولپمنٹ اینڈ شریعی کنٹریس (PDSC)“ میری زیر نگرانی کام کر رہا ہے۔ اس شعبے کی ذمہ داریوں میں نئی پروڈکٹس کے لیے تحقیق و تفتیش، موجودہ پروڈکٹس اور طریقہ عمل میں مزید بہتری، اسلامی بینکاری کی تربیت اور شریعی آڈٹ اور کنٹریس، بینک کی شاخوں اور شعبوں کا جائزہ، بینک کے شریعی ایڈوائزر بورڈ کے ساتھ رابطہ اور مقامی اور بین الاقوامی اداروں کو اسلامی قوانین و سہولیات کی مشاورت کی خدمات شامل ہیں۔

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

### نئی پروڈکٹس کی تیاری اور تحقیق

یہ بات حوصلہ افزا ہے کہ میزان بینک نے اس سال رنگ بھارت کے ساتھ مل کر دو نئی پروڈکٹس جو مشارک بشریعت مندرجہ ذیل پروڈکٹس پر مبنی ہیں۔ اس سال 2011 میں بینک نے چند نئی ملکی پیشکش کمپنیوں کے ساتھ خصوصی طور پر ان کی کمپنیوں کے طریقہ تجارت کے مطابق تیار کردہ محدود کے ذریعے انہیں قبول فراہم کی ہے، جس سے اسلامی بینکاری کی پروڈکٹس اور خدمات کے بارے میں یہ بات واضح ہوئی ہے کہ اسلامی بینکاری برہمن کی کاروباری قبول ضرورت کو پورا کرنے کے صلاحیت رکھتی ہے۔ ادارہ ایسیلو (Liquidity Management) کے نئے مواقع تلاش کئے گئے اور بینک نے اسٹیٹ بینک کی طرف سے جاری کردہ منسلک کی تیاری اور اجراء میں فعال کردار ادا کیا۔

نوری ایڈوائزر منٹ کے لیے میزان بینک کی طرف سے ایک نئی پروڈکٹ جاری کی گئی جس کا نام منسلک کی بیج منہ مل ہے۔ کرنسی کی خرید و فروخت کے بارے میں شریعی رہنمائی کے لیے پلیسیز وضع کی گئیں، نیز ملکی ملکی پروڈکٹ کی قیمتوں سے متعلق بھی مزید وضاحت جاری کی گئی جس کے نتیجے میں منسلک کی پروڈکٹ کا کھولنے کے لیے مزید قلیل عمل ہوئی۔ شریعی بورڈ نے ایک اور قبولی پروڈکٹ ”مال میزینگیٹ“ بھی منظوری ہے جس پر جلد ہی عمل شروع ہو جائے گا۔ ”میزان ٹویک“ نے بھی گزشتہ سالوں کے مقابلے میں معیار کے اعتبار سے ترقی کی ہے جس کا نتیجہ صارفین کے اطمینان بھی اور امتداد کی شکل میں ظاہر ہوا۔

### ٹریننگ اور ڈیولپمنٹ

اس سال 100 سال 23 شعبوں میں اسلامی بینکاری کی ترویج و تھیں کے لئے 39 سیمینار اور کارپوریشن ایس ایم ای اور کٹا ہائیں منعقد کی گئیں جن میں 4540 حاضرین نے شرکت کی۔ ان حاضرین میں صارفین، مامورین اور پریکٹس شامل تھے۔ کارپوریشن ایس ایم ای کا کھولنے کے اسلامی بینکاری کے قبولی نظام کے بارے میں تصور کو واضح کرنے کے لیے ورکشاپس کا انعقاد بینک کی طرف سے ایک نیا محنت منہ اندام ہوا۔

بینک نے برانچ شہر رڈ پر شہر شہر رڈ اور سینٹر فرٹ ایڈوائزمن کے لیے بینک کے پانچوں رجسٹر میں پانچ گورنر منعقد کرائے۔ یہ گورنر چھ مہینوں پر مشتمل تھے۔

یہ بات بھی قابل مسرت ہے کہ بینک کے ملازمین کے لیے اعترافیت پر ”ٹوٹیج پورٹی“ کا بیج کر دیا گیا ہے۔ اس ”ٹوٹیج پورٹی“ میں پروڈکٹ کی پلیسیز، ہدایات، FAQs، پریکٹس، ڈیجیٹل برانچ، تصاویر، مضامین شامل ہیں۔ بینک کا ہر ملازم ان تمام امور سے جب جائے استفادہ کر سکتا ہے۔ اس اقدام سے اثنا مالہ میزان بینک کے ہر ملازم کے لیے اپنے علم میں اضافہ کرنے کے مواقع میں مزید اضافہ ہوا ہے اور امید کی جاتی ہے کہ اس کے ذریعے اثنا مالہ اسلامی بینکاری اور میزان بینک کے پروڈکٹس کے بارے میں بینک کے ملازمین مزید باخبر ہو سکیں گے۔

بینک نے پاکستان میں منعقد شدہ ”ملا اسلامی فائنانس ٹیسٹ“ کو منعقد کرانے میں اپنا کردار ادا کیا۔ نیز پاکستان میں اسلامی بینکاری کی مزید ترقی کے لیے اپنی معاونت جاری رکھی۔ اس سلسلے میں اسٹیٹ بینک آف پاکستان، بینک انشٹیٹیوٹ آف پاکستان (NIBAF) اور مرکز الاقتصاد الاسلامی (CIE) جیسے اداروں کی مختلف ٹریننگ سیشنوں میں بینک نے معاونت کی۔ بینک نے مختلف اداروں میں اسلامی بینکنگ کے متعدد گورنر اور ڈگری پروگرام منعقد کرائے۔ ان اداروں میں PAF-KIET، IobM-IBA، SUKKAR، LUMS-IBA، (کراچی یونیورسٹی) اور رقبہ انٹرنیشنل یونیورسٹی (اسلام آباد) شامل ہیں۔ دوران سال IBA (کراچی) IM-سائنس (پشاور) اور انٹرنیشنل اسلامک یونیورسٹی (اسلام آباد) کے ساتھ مشترکہ ٹریننگ سیشنوں اور ورکشاپس کا بھی انعقاد کیا گیا۔

### شرعی ایڈوائزر بورڈ

دسواں سال میزان بینک نے اپنی ایڈوائزر سے متعلق خدمات میں مزید اضافہ کیا، جس کا بنیادی مقصد یہ تھا کہ اسلامی بینکاری کے انعقاد کے تجربے میں جو کامیابی میزان بینک کو حاصل ہوئی ہے اس میں دوسروں کو بھی شریک کر لیا جائے۔ چنانچہ اس سال بینک نے بین الاقوامی قبولی بازار میں داخل ہوتے ہوئے انڈیا بینک سری لنکا کے ساتھ ”شرعی ٹیکنیکل سرورس اینڈ سپورٹ“ ایجنٹ بن کر پیش کیا۔ اسلامی بینکنگ کی مارکیٹ کے میدان میں میزان بینک بدستور اہم ان نو سٹوٹ منجمنٹ لمیٹڈ (AMIM)، بینکس قرض ایسٹ منجمنٹ کمپنی لمیٹڈ (NAFA)، اسلامک فنڈز لمیٹڈ (AKD) نو سٹوٹ





# Statement of Sources and Uses of Charity Fund

For the year ended December 31, 2011

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

**Note :**

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



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

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

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


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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 31 December 2011.

**Date: 19 February 2012**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

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 Cooperative ("KPMG International"), a Swiss entity.



# Statement of Compliance with the Code of Corporate Governance

## For the year ended December 31, 2011

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

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

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board has eight non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred in the Board during the year will be filled after obtaining prior approval from State Bank of Pakistan as per its directives.
5. Statement of Ethics and Business Practices has been approved and signed by the directors of the Bank.
6. The Board has developed a vision and mission statement and an overall corporate strategy and significant policies of the Bank. A complete record of the significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman of the Board. The Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The management of the Bank has circulated a summary of provisions of all relevant laws, rules and regulations as required under clause (xiv) of the Code i.e. with respect to the 'Orientation Course' of directors to acquaint them of their duties and responsibilities and enable them to manage the affairs of the Bank on behalf of shareholders. As required in above clause, the management of the Bank has also carried-out the Training Session on Corporate Governance for Board of Directors of the Bank on October 29, 2011.
10. There was no new appointment of the Company Secretary, CFO or Head of Internal Audit during the year ended December 31, 2011.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The Bank maintains a list of related parties which is updated on a regular basis. All transactions with the related parties' alongwith their pricing methods have been separately disclosed in the quarterly accounts approved by the Board after recommendation of the Audit Committee.



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



**Irfan Siddiqui**  
President & CEO

February 19, 2012



## Statement of Internal Controls

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

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

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

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

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

During the year under review, we have endeavored to follow the guidelines issued by the State Bank of Pakistan on Internal Controls and to incorporate these guidelines in the Bank's existing internal controls system for evaluation and management of significant risks and we will endeavor to further improve our internal control system during 2012.

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

On behalf of the Board

A blue ink signature of Ariful Islam, consisting of a stylized 'A' followed by a horizontal line and a small loop.

**Ariful Islam**  
Chief Operating Officer

A blue ink signature of Irfan Siddiqui, featuring a large, elegant loop at the beginning followed by a series of smaller, connected strokes.

**Irfan Siddiqui**  
President & CEO

February 19, 2012

## Notice of Annual General Meeting

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

### Ordinary Business

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

### Special Business

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

“Resolved that:

- a. a sum of Rs 1,003,741,630 out of free reserves of the Bank for the issue of bonus shares be capitalized and applied for the issue of 100,374,163 ordinary shares of Rs 10/- each and allotted as fully paid bonus shares to those members of the Bank whose names appear in the Register of Members of the Bank on March 29, 2012 in the ratio of 12.5 ordinary shares for every 100 ordinary shares held (12.5%) and that such new shares shall rank pari passu in all respect with the existing ordinary shares.
  - b. Members entitled to fraction of shares as a result of their holding shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange
  - c. For the purpose of giving effect to the foregoing, the President/Chief Executive or the Company Secretary be and are hereby individually authorized to take any and all actions which may deemed fit for the issuance, allotment, distribution, etc. of the said bonus shares.”
6. To approve the remuneration paid/payable to the Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2011 for attending Board Meetings and Meetings of the Committees formed by the Board and to pass the following resolution as Ordinary Resolution:

“Resolved that the remuneration paid/payable to the Chairman and Non-Executive Directors of the Bank for the year ended December 31, 2011 for attending Board Meetings and Meetings of the Committees formed by the Board, as disclosed in note 35 of the Audited Financial Statements of the Bank, be and is hereby approved.”

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

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

Karachi

March 07, 2012

By Order of the Board



Tasnimul Haq Farooqui  
Company Secretary





### **Notes:**

- i) The Members' Register will remain closed from March 19, 2012 to March 29, 2012 (both days inclusive) to determine the names of members entitled to receive bonus shares and to attend and vote in the meeting.
- ii) A member eligible to attend and vote at this meeting may appoint any person as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the Registered Office not less than forty eight (48) hours before the holding of the meeting.
- iii) An individual beneficial owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card alongwith the participant ID numbers and sub account numbers with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose.

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

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

#### **I) Issue of Bonus Shares**

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

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

#### **II) Directors' Remuneration**

The remuneration paid/payable to the non-executive directors was approved by the Board of Directors in terms of Article 52 of the Articles of Association of the Bank. The remuneration requires approval (which is permissible on post facto basis) of the shareholders in Annual General Meeting in terms of requirements of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

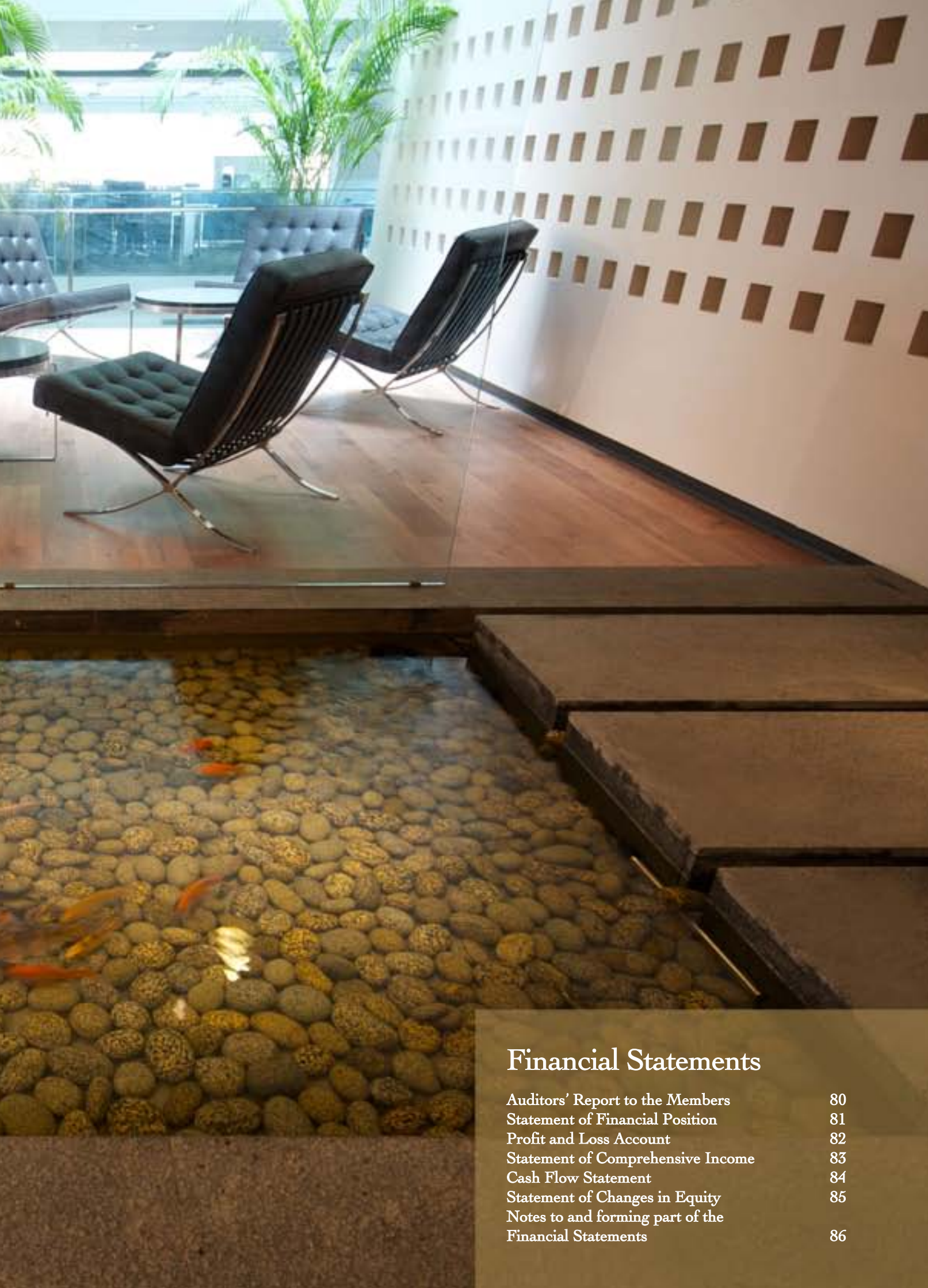
The non-executive directors are interested in the payment of remuneration and the remaining members of the Board have no interest in the matter.



## WATER

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





## Financial Statements

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### Auditors' Report to the Members

We have audited the annexed statement of financial position of Meezan Bank Limited ("the Bank") as at 31 December 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended 31 December 2011, in which are incorporated the unaudited certified returns from the branches except for 18 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

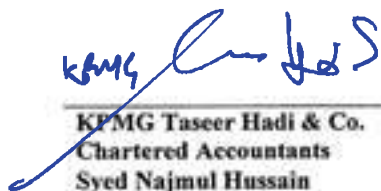
It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the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

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the statement of financial position and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2011 and its true balance of profit, its comprehensive income, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 19 February 2012

Karachi



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Najmul Hussain

# Statement of Financial Position

As at December 31, 2011



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

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

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

Irfan Siddiqui  
President and  
Chief Executive

Abdullateef  
A. Al-Asfour  
Director

Mohammad  
Abdul Aleem  
Director

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

**Mohammad  
Abdul Aleem  
Director**



# Statement of Comprehensive Income

For the year ended December 31, 2011



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

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

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

Irfan Siddiqui  
President and  
Chief Executive

Abdullateef  
A. Al-Asfour  
Director

Mohammad  
Abdul Aleem  
Director

# Cash Flow Statement

For the year ended December 31, 2011

|  | Note | 2011           | 2010         |
|--|------|----------------|--------------|
|  |      | Rupees in '000 |              |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                             |      |                |              |
| Profit before taxation   |      | 4,356,300      | 2,126,960    |
| Dividend income  |      | (938,983)      | (321,898)    |
|  |      | 3,417,317      | 1,805,062    |
| <b>Adjustments for non-cash charges</b>                                |      |                |              |
| Depreciation   |      | 436,739        | 359,075      |
| Amortization   |      | 39,718         | 33,810       |
| Provision against non-performing financings (net)                      |      | 1,471,614      | 1,330,057    |
| (Reversal) / provision for diminution in the value of investments      |      | (34,981)       | 46,862       |
| (Reversal) / provision against amounts due from financial institutions |      | (41,365)       | 81,875       |
| Loss / (gain) on sale of operating fixed assets                        |      | 31,251         | (18,910)     |
|  |      | 1,902,976      | 1,832,769    |
|  |      | 5,320,293      | 3,637,831    |
| <b>(Increase) / decrease in operating assets</b>                       |      |                |              |
| Due from financial institutions  |      | 6,487,814      | 23,893,145   |
| Financings   |      | (6,432,036)    | (13,815,564) |
| Other assets including inventories                                     |      | (6,077,062)    | (453,313)    |
|  |      | (6,021,284)    | 9,624,268    |
| <b>Increase / (decrease) in operating liabilities</b>                  |      |                |              |
| Bills payable  |      | 514,675        | 518,160      |
| Due to financial institutions  |      | 3,406,664      | (2,639,129)  |
| Deposits and other accounts  |      | 38,960,103     | 30,737,277   |
| Other liabilities  |      | 417,981        | 645,596      |
|  |      | 43,299,423     | 29,261,904   |
|  |      | 42,598,432     | 42,524,003   |
| Income tax paid  |      | (1,692,067)    | (1,266,434)  |
| Net cash flow from operating activities                                |      | 40,906,365     | 41,257,569   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                             |      |                |              |
| Net investments in   |      |                |              |
| - held to maturity securities  |      | -              | 16,848       |
| - available for sale securities  |      | (42,933,064)   | (25,960,610) |
| - listed associated undertakings                                       |      | (522,782)      | (5,456,802)  |
| - unlisted associated undertakings                                     |      | 146,280        | -            |
| Dividends received   |      | 900,850        | 239,262      |
| Investments in operating fixed assets                                  |      | (1,467,516)    | (1,054,418)  |
| Sale proceeds of operating fixed assets disposed off                   |      | 40,660         | 30,718       |
| Net cash flow from investing activities                                |      | (43,835,572)   | (32,185,002) |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                             |      |                |              |
| Dividend paid  |      | (802,023)      | -            |
| Net cash flow from financing activities                                |      | (802,023)      | -            |
| (Decrease) / increase in cash and cash equivalents                     |      | (3,731,230)    | 9,072,567    |
| Cash and cash equivalents as at January 1                              | 31   | 22,720,466     | 13,647,899   |
| Cash and cash equivalents as at December 31                            | 31   | 18,989,236     | 22,720,466   |

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



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



Irfan Siddiqui  
President and  
Chief Executive



Abdullateef  
A. Al-Asfour  
Director



Mohammad  
Abdul Aleem  
Director

# Statement of Changes in Equity

For the year ended December 31, 2011



|   | Capital reserves |                   |                                   | Revenue reserves | Unappropriated profit | Total             |
|---|------------------|-------------------|-----------------------------------|------------------|-----------------------|-------------------|
|   | Share capital    | Statutory reserve | Reserve for issue of bonus shares | General reserve  |                       |                   |
|   | Rupees in '000   |                   |                                   |                  |                       |                   |
| Balance as at January 01, 2010                                | 6,650,048        | 983,326           | -                                 | 66,766           | 1,390,395             | 9,090,535         |
| <b>Total Comprehensive income for the year</b>                |                  |                   |                                   |                  |                       |                   |
| Profit after taxation for the year                            | -                | -                 | -                                 | -                | 1,649,588             | 1,649,588         |
| <b>Transactions with owners recognised directly in equity</b> |                  |                   |                                   |                  |                       |                   |
| Transfer to reserve for issue of bonus shares                 | -                | -                 | 332,502                           | -                | (332,502)             | -                 |
| Issue of bonus shares   | 332,502          | -                 | (332,502)                         | -                | -                     | -                 |
|   | 332,502          | -                 | -                                 | -                | (332,502)             | -                 |
| Transfer to statutory reserve                                 | -                | 329,918           | -                                 | -                | (329,918)             | -                 |
| <b>Balance as at December 31, 2010</b>                        | <b>6,982,550</b> | <b>1,313,244</b>  | <b>-</b>                          | <b>66,766</b>    | <b>2,377,563</b>      | <b>10,740,123</b> |
| <b>Total Comprehensive income for the year</b>                |                  |                   |                                   |                  |                       |                   |
| Profit after taxation for the year                            | -                | -                 | -                                 | -                | 3,391,543             | 3,391,543         |
| <b>Transactions with owners recognised directly in equity</b> |                  |                   |                                   |                  |                       |                   |
| Transfer to reserve for issue of bonus shares                 | -                | -                 | 1,047,383                         | -                | (1,047,383)           | -                 |
| Issue of bonus shares   | 1,047,383        | -                 | (1,047,383)                       | -                | -                     | -                 |
| Cash dividend for the year 2011                               | -                | -                 | -                                 | -                | (802,993)             | (802,993)         |
|   | 1,047,383        | -                 | -                                 | -                | (1,850,376)           | (802,993)         |
| Transfer to statutory reserve                                 | -                | 678,309           | -                                 | -                | (678,309)             | -                 |
| <b>Balance as at December 31, 2011</b>                        | <b>8,029,933</b> | <b>1,991,553</b>  | <b>-</b>                          | <b>66,766</b>    | <b>3,240,421</b>      | <b>13,328,673</b> |

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

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

Irfan Siddiqui  
President and  
Chief Executive

Abdullateef  
A. Al-Asfour  
Director

Mohammad  
Abdul Aleem  
Director



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

## 2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of the Bank. The consolidated financial statements of the group are being issued separately. The Bank provides financing mainly through Murabaha, Ijarah, Service Ijarah, Musharakah, Diminishing Musharakah, Running Musharaka, Istisna, Tijarah, Bai Muajjal, Musawammah and Export Refinance under Islamic Export Refinance Scheme as briefly explained in note 6.3.

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 3.1 The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:
- (a) Critical judgment in classification of investments in accordance with the Bank's policy (notes 6.4 and 10).
  - (b) Provision for non-performing financings and others (notes 6.3.3, 9.4, 11.12, 13.5 and 18.3).
  - (c) Determination of forced sale value of underlying securities of non-performing financings (note 11.12.2).
  - (d) Impairment of investments in equity instruments (notes 6.4.7, 6.4.8 and 10).
  - (e) Staff retirement benefits (notes 6.10 and 33).
  - (f) Depreciation and amortization methods of operating fixed assets (notes 6.5.3 and 12).
  - (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.2, 6.9, 17 and 29).

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

- 3.2 Through Finance Act, 2010, certain amendments were introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for financings and off balance sheet items in doubtful and loss categories were allowed upto 5% of total gross financing for consumer and Small and Medium Enterprises - SMEs (as defined in SBP Prudential Regulation). Through Finance Act, 2011, certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. Provision in excess of prescribed limits of consumer and SME financings have now been allowed to be carried forward to subsequent years effective July 01, 2010. With reference to allowability of provision, the management has carried out an exercise at year end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs.1,210 million (2010: Rs. 967 million).

## 4. STATEMENT OF COMPLIANCE

- 4.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP). In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by SBP shall prevail.
- 4.2 SBP through BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard, IAS 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for banks in Pakistan. Accordingly, the requirements of these Standards have not been considered in preparation of these financial statements.

## 5. BASIS OF MEASUREMENT

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

### 5.2 Functional and presentation currency

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

### 5.3 Rounding off

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

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Cash and cash equivalents

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

### 6.2 Revenue recognition

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

### 6.3 Financings

#### Murabaha

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## **Ijarah**

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

## **Istisna**

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

## **Tijarah**

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

## **Diminishing Musharakah**

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

## **Running Musharakah**

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

## **Bai Muajjal**

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

## **Service Ijarah**

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

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

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

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

**6.3.3**      **Provision against non-performing financings**

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 6.4 Investments

### 6.4.1 The Bank classifies its investments as follows:

- **Held for trading**  
These are investments acquired principally for the purpose of generating profit from short-term fluctuations in price.
- **Held to maturity**  
These are investments with fixed or determinable payments and fixed maturity and the Bank has positive intent and ability to hold them to maturity.
- **Available for sale**  
These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' or 'held to maturity' categories.

### 6.4.2 The Bank values its investments as follows:

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

6.4.3 Any surplus / deficit arising as a result of revaluation of quoted securities categorized as 'available for sale' is presented below the shareholders' equity in the Statement of Financial Position, while any surplus / deficit arising as a result of revaluation of 'held for trading' securities is credited / charged to the profit and loss account.

6.4.4 Consistent with prior year, all purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment. Investments other than those classified as held for trading and investments in subsidiaries or associates, are initially recognised at fair value including transaction costs associated with such investments. Investments classified as held for trading are initially recognised at fair value.

6.4.5 Cost of investment is determined on moving average basis.

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

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

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

## 6.5 Operating fixed assets

### 6.5.1 Tangible assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment losses (if any). Items of fixed assets costing Rs. 20,000 or less are not capitalized and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in profit and loss account currently.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 6.5.2 Intangible assets

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

## 6.5.3 Depreciation / amortization

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

## 6.5.4 Capital work-in-progress

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

## 6.5.5 Useful lives and residual values

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

## 6.5.6 Maintenance and normal repairs

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

## 6.5.7 Impairment

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

## 6.6 Ijarah Assets (IFAS 2)

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

### - Depreciation

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

### - Ijarah Rentals

Ijarah rentals outstanding are disclosed in 'Other assets' on the Statement of Financial Position at amortized cost.

### - Impairment

Impairment of Ijarah asset is determined on same basis as that of operating fixed assets.

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

## 6.7 Inventories

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

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

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

## 6.8 Deposits

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

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

No profit or loss is passed to current account depositors.

Profit realized in investment pools are distributed in pre-agreed profit sharing ratio.



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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

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

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

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

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

## 6.9 Taxation

### Current

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

### Deferred

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

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

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

## 6.10 Staff retirement benefits

### Defined benefit plan

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

The scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2011. The projected unit credit method was used for actuarial valuation.

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

### Defined contribution plan

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

## 6.11 Compensated absences

The Bank recognizes liability in respect of employees compensated absences in the period in which these are earned upto the date of Statement of Financial Position. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2011, on the basis of projected unit credit method.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 6.12 Dividend and reserves

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

## 6.13 Foreign currency transactions

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

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

## 6.14 Provisions and contingent assets and liabilities

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

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

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

## 6.15 Offsetting

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

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

## 6.16 Segment reporting

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

### 6.16.1 Business segments

#### Corporate Financing

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

#### Trading and Sales

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

#### Retail Banking

It includes retail financings, deposits and banking services offered to its retail customers and SMEs.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## Commercial Banking

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

## Agency Services

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

## Payment and Settlement

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

## 6.16.2 Geographical segments

The Bank operates only in Pakistan.

## 6.17 Impairment

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

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

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

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

## 9. DUE FROM FINANCIAL INSTITUTIONS

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

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 10. INVESTMENTS

| 10.1 | Investments by types                                    | Note | 2011             |                     |            | 2010             |                     |            |
|------|---|------|------------------|---------------------|------------|------------------|---------------------|------------|
|      |   |      | Held by the Bank | Given as collateral | Total      | Held by the Bank | Given as collateral | Total      |
|      |   |      | Rupees in '000   |                     |            |                  |                     |            |
|      | Available for sale securities                           | 10.4 | 88,919,915       | -                   | 88,919,915 | 45,986,851       | -                   | 45,986,851 |
|      | Held to maturity securities                             | 10.5 | 1,150,000        | -                   | 1,150,000  | 1,150,000        | -                   | 1,150,000  |
|      |   |      | 90,069,915       | -                   | 90,069,915 | 47,136,851       | -                   | 47,136,851 |
|      | <b>In related parties</b>                               |      |                  |                     |            |                  |                     |            |
|      | Subsidiary (unlisted)                                   | 10.6 | 63,050           | -                   | 63,050     | 63,050           | -                   | 63,050     |
|      | Associates (listed)                                     | 10.7 | 7,999,745        | -                   | 7,999,745  | 7,476,963        | -                   | 7,476,963  |
|      | Associates (unlisted)                                   | 10.8 | 128,000          | -                   | 128,000    | 274,280          | -                   | 274,280    |
|      | <b>Investment at cost / carrying value</b>              |      | 98,260,710       | -                   | 98,260,710 | 54,951,144       | -                   | 54,951,144 |
|      | Provision for diminution in value of investments        | 10.9 | (399,033)        | -                   | (399,033)  | (434,014)        | -                   | (434,014)  |
|      | <b>Investments (net of provision)</b>                   |      | 97,861,677       | -                   | 97,861,677 | 54,517,130       | -                   | 54,517,130 |
|      | Surplus on revaluation of available for sale securities | 21   | 626,897          | -                   | 626,897    | 449,777          | -                   | 449,777    |
|      | <b>Total investments at market value</b>                |      | 98,488,574       | -                   | 98,488,574 | 54,966,907       | -                   | 54,966,907 |

Note  
2011  
2010  
Rupees in '000

### 10.2 Investments by segments

#### Federal Government Securities GOP Ijarah Sukuks

75,655,305 32,446,557

#### Fully paid up Ordinary Shares

- Listed Companies 923,973 1,032,031  
- Unlisted Companies 313,272 313,272

WAPDA First Sukuk Certificates 10.2.1 1,260,309 1,258,708

WAPDA Second Sukuk Certificates 1,730,000 1,750,000

PIA Sukuks 1,500,000 1,500,000

Sukuk Certificates 5,120,224 5,211,350

Preference Shares - 146,280

Global Sukuk Bonds 2,656,985 2,915,086

Units of Open-end Funds 8,938,400 8,168,661

Society for Worldwide Interbank Financial Telecommunication  
SCRL (S.W.I.F.T. SCRL) 897 897

Certificates of Closed-end Funds 161,345 208,302

**Total investment at cost / carrying value** 98,260,710 54,951,144

Provision for diminution in value of investments 10.9 (399,033) (434,014)

**Investments (net of provision)** 97,861,677 54,517,130

Surplus on revaluation of available for sale securities 21 626,897 449,777

**Total investments at market value** 98,488,574 54,966,907

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

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

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

## 10.4 Quality of available for sale securities

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

| Name of the investee company / fund            | Note   | 2011                                    | 2010      | 2011           | 2010    | 2011         |                                      | 2010           |                                      |
|--|--------|---|-----------|----------------|---------|--------------|--------------------------------------|----------------|--------------------------------------|
|  |        | Number of shares / units / certificates |           | Cost           |         | Market value | Entity rating long term / short term | Market value   | Entity rating long term / short term |
|  |        |   |           | Rupees in '000 |         |              |                                      | Rupees in '000 |                                      |
| Ordinary shares                                |        |   |           |                |         |              |                                      |                |                                      |
| Automobile parts and accessories               |        |   |           |                |         |              |                                      |                |                                      |
| Agriauto Industries Limited                    | 10.4.1 | 190,542                                 | 324,000   | 11,969         | 20,352  | 10,956       | Unrated                              | 24,689         | Unrated                              |
| Cement   |        |   |           |                |         |              |                                      |                |                                      |
| Attock Cement Pakistan Limited                 |        | 190,737                                 | 200,737   | 8,372          | 8,811   | 9,728        | Unrated                              | 12,668         | Unrated                              |
| D.G. Khan Cement Company Limited               |        | -                                       | 115,000   | -              | 3,068   | -            | -                                    | 3,470          | Unrated                              |
| Lucky Cement Company Limited                   |        | 1,252,089                               | 1,092,326 | 88,806         | 75,589  | 93,957       | Unrated                              | 82,787         | Unrated                              |
| Automobile assembler                           |        |   |           |                |         |              |                                      |                |                                      |
| Indus Motor Company Limited                    |        | -                                       | 738       | -              | 106     | -            | -                                    | 186            | Unrated                              |
| Pak Suzuki Motor Company Limited               |        | 26,360                                  | 30,700    | 2,248          | 2,618   | 1,556        | Unrated                              | 2,143          | Unrated                              |
| Power generation and distribution              |        |   |           |                |         |              |                                      |                |                                      |
| The Hub Power Company Limited                  |        | 2,261,651                               | 1,300,000 | 83,703         | 46,652  | 77,348       | AA+ / A1+                            | 48,633         | AA+ / A1+                            |
| Oil and gas marketing                          |        |   |           |                |         |              |                                      |                |                                      |
| Pakistan State Oil Company Limited             |        | -                                       | 494,446   | -              | 144,138 | -            | -                                    | 145,951        | AA+ / A1+                            |
| Oil and gas exploration                        |        |   |           |                |         |              |                                      |                |                                      |
| Pakistan Oilfields Limited                     |        | 569,676                                 | 531,676   | 166,177        | 120,911 | 197,364      | Unrated                              | 157,355        | Unrated                              |
| Oil and Gas Development Company Limited        |        | 888,431                                 | 621       | 125,171        | 84      | 134,704      | AAA / A1+                            | 106            | AAA / A1+                            |
| Pakistan Petroleum Limited                     |        | 1,127,139                               | 904,490   | 181,579        | 139,117 | 189,720      | Unrated                              | 196,410        | Unrated                              |
| Attock Petroleum Limited                       |        | 15,000                                  | -         | 4,953          | -       | 6,188        | Unrated                              | -              | -                                    |
| Fertilizer                                     |        |   |           |                |         |              |                                      |                |                                      |
| Fauji Fertilizer Bin Qasim Limited             |        | -                                       | 2,482,500 | -              | 79,644  | -            | -                                    | 88,700         | Unrated                              |
| Fauji Fertilizer Company Limited               |        | 1,489,429                               | 1,445,543 | 143,709        | 151,733 | 222,729      | Unrated                              | 181,936        | Unrated                              |
| Paper and board                                |        |   |           |                |         |              |                                      |                |                                      |
| Packages Limited                               |        | -                                       | 250,783   | -              | 46,826  | -            | -                                    | 32,253         | AA / A1+                             |
| Chemicals                                      |        |   |           |                |         |              |                                      |                |                                      |
| ICI Pakistan Limited                           |        | 595,489                                 | 505,489   | 81,984         | 66,286  | 71,619       | Unrated                              | 72,912         | Unrated                              |
| Lotte Pakistan PTA Limited                     |        | -                                       | 978,530   | -              | 12,896  | -            | -                                    | 13,406         | Unrated                              |
| Technology and communication                   |        |   |           |                |         |              |                                      |                |                                      |
| Pakistan Telecommunication Company Limited (A) |        | -                                       | 2,801,100 | -              | 67,539  | -            | -                                    | 54,397         | Unrated                              |
| Refinery                                       |        |   |           |                |         |              |                                      |                |                                      |
| National Refinery Limited                      |        | -                                       | 99,936    | -              | 19,780  | -            | -                                    | 27,361         | Unrated                              |
| Jute   |        |   |           |                |         |              |                                      |                |                                      |
| Thal Limited                                   |        | -                                       | 9,200     | -              | 579     | -            | -                                    | 1,198          | Unrated                              |
| Miscellaneous                                  |        |   |           |                |         |              |                                      |                |                                      |
| Tri-Pack Films                                 |        | 223,616                                 | 223,616   | 25,302         | 25,302  | 35,846       | A+ / A1                              | 27,317         | A+ / A1                              |

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

| Name of the investee company / fund             |         | 2011                                    | 2010       | 2011       | 2010       | 2011           |                                      | 2010           |                                      |
|---|---------|---|------------|------------|------------|----------------|--------------------------------------|----------------|--------------------------------------|
|   | Note    | Number of shares / units / certificates |            | Cost       |            | Market value   | Entity rating long term / short term | Market value   | Entity rating long term / short term |
|   |         |   |            |            |            | Rupees in '000 |                                      | Rupees in '000 |                                      |
| Sukuk Certificates                              |         |   |            |            |            |                |                                      |                |                                      |
| WAPDA First Sukuk Certificates                  | 10.4.2  | 22,000                                  | 22,000     | 110,309    | 108,708    | 110,309        | Govt. Guaranteed                     | 114,257        | Govt. Guaranteed                     |
| WAPDA Second Sukuk Certificates                 | 10.4.3  | 346,000                                 | 350,000    | 1,730,000  | 1,750,000  | 1,737,439      | Govt. Guaranteed                     | 1,760,850      | Govt. Guaranteed                     |
| Pakistan International Airlines - at cost       | 10.4.4  | 300,000                                 | 300,000    | 1,500,000  | 1,500,000  | 1,506,000      | Govt. Guaranteed                     | 1,500,000      | Govt. Guaranteed                     |
| Dawood Hercules Chemicals Limited - at cost     |         | -                                       | 20,000     | -          | 904,800    | -              | -                                    | 904,800        | Unrated                              |
| Century Paper and Board Mills Limited - at cost | 10.4.5  | 125,000                                 | 125,000    | 375,000    | 500,000    | 375,000        | A+                                   | 500,000        | A+                                   |
| Sui Southern Gas Company Limited - at cost      | 10.4.6  | 200,000                                 | 200,000    | 166,670    | 500,002    | 166,670        | AA                                   | 500,002        | AA                                   |
| Engro Fertilizers Limited - at cost             | 10.4.7  | 150,000                                 | 150,000    | 750,000    | 750,000    | 750,000        | AA-                                  | 750,000        | AA-                                  |
| Sitara Chemicals Industries Limited - at cost   |         | -                                       | 29,600     | -          | 37,000     | -              | -                                    | 37,000         | AA-                                  |
| Quetta Textile Mills Limited - at cost          | 10.4.8  | 30,000                                  | 30,000     | 135,000    | 145,000    | 135,000        | BBB+                                 | 145,000        | BBB+                                 |
| Arzoo Textile Mills Limited - at cost           | 10.4.9  | 10,000                                  | 10,000     | 50,000     | 50,000     | 50,000         | Unrated                              | 50,000         | Unrated                              |
| Sitara Peroxide Limited - at cost               | 10.4.10 | 30,000                                  | 30,000     | 140,625    | 140,625    | 140,625        | Unrated                              | 140,625        | Unrated                              |
| Liberty Power Tech Limited - at cost            | 10.4.11 | 18,140,480                              | 16,680,930 | 1,755,269  | 1,668,093  | 1,755,269      | AA                                   | 1,668,093      | AA-                                  |
| Eden Builders Limited - at cost                 | 10.4.12 | 14,400                                  | 14,400     | 40,500     | 58,500     | 40,500         | A                                    | 58,500         | A                                    |
| Maple Leaf Cement Factory Limited - at cost     | 10.4.13 | 40,000                                  | 40,000     | 199,660    | 199,830    | 199,660        | D                                    | 199,830        | BB+                                  |
| Maple Leaf Cement Factory Limited - at cost     | 10.4.14 | 1,500                                   | 1,500      | 7,500      | 7,500      | 7,500          | D                                    | 7,500          | BB+                                  |
| Amreli Steel Limited - at cost                  | 10.4.15 | 50,000                                  | 50,000     | 250,000    | 250,000    | 250,000        | A-                                   | 250,000        | A-                                   |
| Kott Addu Power Company Limited - at cost       | 10.4.16 | 100,000                                 | -          | 500,000    | -          | 500,000        | AA+                                  | -              | -                                    |
| The Hub Power Company Limited - at cost         | 10.4.17 | 125,000                                 | -          | 750,000    | -          | 750,000        | AA+                                  | -              | -                                    |
| GOP Sukuks                                      |         |   |            |            |            |                |                                      |                |                                      |
| Ijarah Sukuk First                              |         | -                                       | 16,295     | -          | 1,629,500  | -              | -                                    | 1,655,898      | Govt. Guaranteed                     |
| Ijarah Sukuk Second                             |         | -                                       | 20,000     | -          | 2,000,000  | -              | -                                    | 2,025,000      | Govt. Guaranteed                     |
| Ijarah Sukuk Third                              | 10.4.18 | 30,000                                  | 30,000     | 3,001,275  | 3,007,924  | 3,014,100      | Govt. Guaranteed                     | 3,045,000      | Govt. Guaranteed                     |
| Ijarah Sukuk Fourth                             | 10.4.19 | 35,950                                  | 35,950     | 3,596,770  | 3,599,256  | 3,614,054      | Govt. Guaranteed                     | 3,595,000      | Govt. Guaranteed                     |
| Ijarah Sukuk Fifth                              | 10.4.20 | 161,050                                 | 129,500    | 16,113,638 | 12,954,969 | 16,193,578     | Govt. Guaranteed                     | 12,982,375     | Govt. Guaranteed                     |
| Ijarah Sukuk Sixth                              | 10.4.20 | 103,000                                 | 92,500     | 10,314,916 | 9,254,908  | 10,398,880     | Govt. Guaranteed                     | 9,305,451      | Govt. Guaranteed                     |
| Ijarah Sukuk Seventh                            | 10.4.21 | 128,893                                 | -          | 12,897,487 | -          | 12,984,681     | Govt. Guaranteed                     | -              | -                                    |
| Ijarah Sukuk Eighth                             | 10.4.22 | 147,270                                 | -          | 14,728,473 | -          | 14,768,232     | Govt. Guaranteed                     | -              | -                                    |
| Ijarah Sukuk Ninth                              | 10.4.23 | 150,020                                 | -          | 15,002,746 | -          | 15,002,000     | Govt. Guaranteed                     | -              | -                                    |
| Units of open-end funds                         |         |   |            |            |            |                |                                      |                |                                      |
| United Islamic Saving Fund                      |         | 7,960,026                               | 7,946,976  | 800,000    | 800,000    | 843,545        | AA-                                  | 807,715        | Unrated                              |
| IGI Islamic Income Fund                         |         | 1,214,678                               | 1,099,617  | 100,000    | 100,000    | 123,049        | A+                                   | 110,521        | Unrated                              |
| Pak Oman Advantage Islamic Income Fund          |         | 947,592                                 | -          | 50,000     | -          | 49,793         | AA-                                  | -              | -                                    |
| HBL Islamic Money Market Fund                   |         | 1,028,774                               | -          | 100,000    | -          | 105,748        | AA                                   | -              | -                                    |
| Atlas Islamic Fund                              |         | 98,894                                  | -          | 50,000     | -          | 50,904         | AA-                                  | -              | -                                    |
| Sukuk Bonds                                     |         |   |            |            |            |                |                                      |                |                                      |
| Abu Dhabi Sukuk Bonds                           |         | -                                       | 5,000,000  | -          | 428,183    | -              | -                                    | 421,235        | A2                                   |
| Central Bank of Bahrain International Sukuk     | 10.4.24 | 10,000,000                              | 10,000,000 | 946,754    | 919,697    | 966,628        | BBB                                  | 957,269        | A                                    |
| Islamic Development Bank Trust Services Sukuk   | 10.4.25 | 6,500,000                               | 6,500,000  | 585,099    | 557,227    | 618,351        | AAA                                  | 585,750        | AAA                                  |
| Malaysia Sukuk Global                           | 10.4.26 | 6,750,000                               | 6,750,000  | 609,191    | 580,579    | 635,062        | A3                                   | 602,352        | A3                                   |
| Qatar Islamic Bank Sukuk                        | 10.4.27 | 5,000,000                               | 5,000,000  | 450,738    | 429,400    | 463,783        | A                                    | 429,637        | A                                    |
| Wakala Global Sukuk                             | 10.4.28 | 725,000                                 | -          | 65,203     | -          | 65,618         | A3                                   | -              | -                                    |
| Others  |         |   |            |            |            |                |                                      |                |                                      |
| Haleeb Foods Limited - at cost                  | 10.4.29 | 2,786,000                               | 2,786,000  | 122,222    | 122,222    | 122,222        | Unrated                              | 122,222        | Unrated                              |
| S.W.I.F.T. SCRL - at cost                       |         | 5                                       | 5          | 897        | 897        | 897            | Unrated                              | 897            | Unrated                              |
|   |         |   |            | 88,919,915 | 45,986,851 | 89,546,812     |                                      | 46,406,657     |                                      |



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



- 10.4.1 The nominal value of these shares is Rs. 5 each.
- 10.4.2 The paid up value of these sukuks is Rs. 5,000 per certificate. The return on these Sukuks - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 35 basis points. These sukuks will mature in 2012. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.
- 10.4.3 The paid up value of these sukuks is Rs. 5,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates is six monthly Karachi inter-bank offer rate minus 25 basis points. These sukuks will mature in 2017.
- 10.4.4 The paid up value of these sukuks is Rs. 5,000 per certificate. The return on Sukuk - PIA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 175 basis points. These bonds will mature in 2014. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.
- 10.4.5 The paid up value of these sukuks is Rs. 3,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010 - 2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 135 basis points.
- 10.4.6 The paid up value of these sukuks is Rs. 833 per certificate. The tenure of these certificates is 5 years, with principal receivable in 2009 - 2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 80 basis points.
- 10.4.7 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 8 years, with principal receivable in 2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.8 The paid up value of these sukuks is Rs. 4,500 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010-2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.9 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 years, with principal receivable in 2009-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to 2 and plus 175 basis points from year 3 to year 6.
- 10.4.10 The paid up value of these sukuks is Rs. 4,687 per certificate. The tenure of these certificates is 8 years, with principal receivable in 2012-2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.11 The paid up value of these sukuks is Rs. 96.76 per certificate. The tenure of these certificates is 12 years, with principal receivable in 2011-2021. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.4.12 The paid up value of these sukuks is Rs. 2,813 per certificate. The tenure of these certificates is 5.5 years, with principal receivable in 2010-2014. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 230 basis points.
- 10.4.13 The paid up value of these sukuks is Rs. 4,996 per certificate. The tenure of these certificates is 11 years, with principal receivable in 2010 - 2018. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.14 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 2 years, with principal receivable in March 2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.15 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2012 - 2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 250 basis points.
- 10.4.16 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in June 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

- 10.4.17** The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in February 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.18** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2012.
- 10.4.19** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills minus 5 basis points. These certificates will mature in 2012.
- 10.4.20** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The tenure of these certificates is 3 years, with principal receivable in 2013. The profit is calculated on the basis of six month weighted average yield of six month market T-Bills.
- 10.4.21** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014.
- 10.4.22** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014.
- 10.4.23** The paid up value of these sukuks is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014.
- 10.4.24** The paid up value of these sukuks is US\$ 1 and will mature in 2014. The profit coupon is 6.25 percent per annum. These securities are held through a custodian.
- 10.4.25** The paid up value of these sukuks is US\$ 1 and will mature in 2014. The profit coupon is 3.17 percent per annum. These securities are held through a custodian.
- 10.4.26** The paid up value of these sukuks is US\$ 1 and will mature in 2015. The profit coupon is 3.93 percent per annum. These securities are held through a custodian.
- 10.4.27** The paid up value of these sukuks is US\$ 1 and will mature in 2015. The profit coupon is 3.86 percent per annum. These securities are held through a custodian.
- 10.4.28** The paid up value of these sukuks is US\$ 1 and will mature in 2016. The profit coupon is 2.99 percent per annum. These securities are held through a custodian.
- 10.4.29** The Chief Executive of Haleeb Foods Limited is Mr. Mohammad Imran Amjad.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



| 10.5 | Held to maturity securities                       | Note   | 2011                      | 2010    | 2011                   | 2010             |
|------|---|--------|---------------------------|---------|------------------------|------------------|
|      | Name of the investee entity                       |        | Number of<br>Certificates |         | Cost<br>Rupees in '000 |                  |
|      | <b>Sukuk Certificates</b>                         |        |                           |         |                        |                  |
|      | WAPDA First Sukuk Certificates<br>(Sukuk - WAPDA) | 10.5.1 | 230,000                   | 230,000 | 1,150,000              | 1,150,000        |
|      |   |        |                           |         | <u>1,150,000</u>       | <u>1,150,000</u> |

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

## 10.6 Subsidiary (unlisted)

| Particulars   | Note   | 2011             | 2010      | 2011           | 2010          | Percentage<br>of equity<br>holding | Break up<br>value per<br>share | Latest<br>available<br>audited<br>financial<br>statements | Name of<br>the chief<br>executive |
|---|--------|------------------|-----------|----------------|---------------|------------------------------------|--------------------------------|---|-----------------------------------|
|   |        | Number of Shares |           | Rupees in '000 |               | %                                  | Rupees                         |   |                                   |
| Al-Meezan Investment<br>Management Limited<br>(ordinary shares) | 10.6.1 | 3,250,000        | 3,250,000 | 63,050         | 63,050        | 65                                 | 226.78                         | June 30, 2011   | Mr. Muhammad<br>Shoaib            |
|   |        |                  |           | <u>63,050</u>  | <u>63,050</u> |                                    |                                |   |                                   |

**10.6.1** The nominal value of these shares is Rs. 100 each. These shares are placed in custody account with the Central Depository Company of Pakistan Limited. These shares cannot be sold without the prior approval of SECP in accordance with SECP's circular No. 9 of 2006 dated June 15, 2006.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 10.7 Associates (listed)

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

| Name of the investee entity               | Note   | 2011                                       | 2010        |  | 2011                   | 2010      |
|---|--------|--|-------------|--|------------------------|-----------|
|   |        | Number of shares /<br>certificates / units |             | Percentage of<br>direct equity<br>holding<br>% | Cost<br>Rupees in '000 |           |
| Ordinary Shares of closed end mutual fund |        |  |             |  |                        |           |
| Al-Meezan Mutual Fund Limited             |        | -  | 5,561,607   | 4.04   | -                      | 46,957    |
| Certificate of closed end fund            |        |  |             |  |                        |           |
| Meezan Balanced Fund                      |        | 16,134,468                                 | 16,134,468  | 13.44  | 161,345                | 161,345   |
| Units of open end funds                   | 10.7.1 |  |             |  |                        |           |
| Meezan Sovereign Fund                     |        | 138,275,432                                | 113,186,089 | Open end fund                                  | 7,002,629              | 5,750,000 |
| Al-Meezan Mutual Fund                     |        | 5,561,607                                  | -           | Open end fund                                  | 46,957                 | -         |
| Meezan Islamic Fund                       |        | 11,160,075                                 | 8,996,011   | Open end fund                                  | 380,525                | 380,525   |
| Meezan Islamic Income Fund                |        | 6,123,869                                  | 17,642,001  | Open end fund                                  | 308,289                | 888,136   |
| Meezan Capital Protected Fund - I         |        | -  | 5,634,892   | Open end fund                                  | -                      | 250,000   |
| Meezan Capital Protected Fund - II        |        | 2,000,000                                  | -           | Open end fund                                  | 100,000                | -         |
|   |        |  |             |  | 7,999,745              | 7,476,963 |

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

10.7.2 The above associates are incorporated in Pakistan.

10.7.3 Investments in listed associates have a market value of Rs. 8,021 million (2010: Rs. 7,530 million).



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 10.8 Associates (unlisted)

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

| Particulars                                     | Note   | 2011<br>Number of shares /<br>certificates | 2010<br>Number of shares /<br>certificates | 2011<br>Rupees in '000 | 2010<br>Rupees in '000 | Percentage<br>of equity<br>holding<br>% | Break up<br>value per<br>share<br>Rupees | Latest<br>available<br>audited financial<br>statements | Name of<br>the chief<br>executive |
|---|--------|--|--|------------------------|------------------------|---|--|--|-----------------------------------|
| Plexus (Private) Limited                        |        | 1,499,980                                  | 1,499,980                                  | 15,000                 | 15,000                 | 50%                                     | 3.24                                     | June 30, 2010  | Mr. Abdul Rehman                  |
| Faysal Management<br>Services (Private) Limited | 10.8.1 | 540,000                                    | 540,000                                    | 54,000                 | 54,000                 | 30%                                     | 104.45                                   | December 31, 2010                                      | Mr. Nauman<br>Ansari              |
| Blue Water (Private) Limited                    | 10.8.2 | 90,000                                     | 90,000                                     | 9,000                  | 9,000                  | 30%                                     | 104.58                                   | June 30, 2010  | Mr. Shuja-ul-Mulk<br>Khan         |
| Falcon Greenwood<br>(Private) Limited           |        |  |  |                        |                        |   |  | June 30, 2010  | Mr. Abbas Khan                    |
| Ordinary Shares                                 | 10.8.2 | 250,000                                    | 250,000                                    | 25,000                 | 25,000                 | 25%                                     | 95.27                                    | -  | -                                 |
| Preference Shares                               |        | -  | 1,432,800                                  | -                      | 143,280                | N/A                                     | N/A                                      | -  | -                                 |
| Advance against issue of<br>Preference Shares   |        | -  | -  | -                      | 3,000                  | N/A                                     | N/A                                      | -  | -                                 |
| Pak Kuwait Takaful<br>Insurance Co. Limited     |        | 2,500,000                                  | 2,500,000                                  | 25,000                 | 25,000                 | 6%                                      | 4.73                                     | December 31, 2010                                      | Mr. Imtiaz Ahmed<br>Bhatti        |
|   |        |  |  | 128,000                | 274,280                |   |  |  |                                   |

**10.8.1** The nominal value of these shares is Rs. 100 each. These shares cannot be sold without the prior approval of SECP in accordance with circular No. 10 of 2006 dated June 16, 2006.

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

**10.8.3** The above associates are incorporated in Pakistan.

## 10.9 Provision for diminution in value of investments

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 10.9.1 Provision in respect of type and segment

|   | Note | 2011           | 2010    |
|---|------|----------------|---------|
|   |      | Rupees in '000 |         |
| <b>Associates - unlisted</b>                  |      |                |         |
| Fully paid-up ordinary shares                 |      | 29,649         | 28,165  |
| <b>Associates - listed</b>                    |      |                |         |
| Certificates                                  |      | -              | 67,954  |
| Units   |      | -              | 219,092 |
|   |      | -              | 287,046 |
| <b>Other - Available for sale investments</b> |      |                |         |
| Fully paid-up ordinary shares                 |      | 1,883          | 29,972  |
| Sukuks  |      | 367,501        | 88,831  |
|   |      | 399,033        | 434,014 |

## 11. FINANCINGS

### In Pakistan

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 11.2 Net investment in Ijarah

|  | 2011                    |   |                 |             | 2010                    |   |                 |             |
|--|-------------------------|---|-----------------|-------------|-------------------------|---|-----------------|-------------|
|  | Not later than one year | Later than one and less than five years | Over five years | Total       | Not later than one year | Later than one and less than five years | Over five years | Total       |
|  | Rupees in '000          |   |                 |             |                         |   |                 |             |
| Ijarah rentals receivable                | 989,745                 | 2,259,445                               | -               | 3,249,190   | 1,504,997               | 2,264,784                               | 12,847          | 3,782,628   |
| Residual value                           | 411,643                 | 230,343                                 | -               | 641,986     | 1,097,254               | 1,027,304                               | 4,737           | 2,129,295   |
| Minimum Ijarah payments                  | 1,401,388               | 2,489,788                               | -               | 3,891,176   | 2,602,251               | 3,292,088                               | 17,584          | 5,911,923   |
| Profits for future periods               | (320,387)               | (1,183,611)                             | -               | (1,503,998) | (915,280)               | (797,868)                               | (5,647)         | (1,718,795) |
| Present value of minimum Ijarah payments | 1,081,001               | 1,306,177                               | -               | 2,387,178   | 1,686,971               | 2,494,220                               | 11,937          | 4,193,128   |

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

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

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

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

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

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

# Notes to and forming part of the Financial Statements

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|   | 2011           | 2010       |
|---|----------------|------------|
|   | Rupees in '000 |            |
| 11.8 Musawammah financings (Laptop) - gross   | 32,018         | -          |
| Deferred income   | (6,324)        | -          |
| Profit receivable shown in other assets   | (11)           | -          |
| Musawammah financings (Laptop)  | 25,683         | -          |
| 11.9 This includes Rs. 110.299 million (2010 : Rs. 95.711 million) representing mark up free financings to staff advanced under the Bank's Human Resource Policies. |                |            |
|   | 2011           | 2010       |
|   | Rupees in '000 |            |
| 11.10 Particulars of financings - net   |                |            |
| 11.10.1 In  |                |            |
| - local currency  | 56,502,562     | 51,103,879 |
| - foreign currencies  | 2,653,023      | 3,091,284  |
|   | 59,155,585     | 54,195,163 |
| 11.10.2 Short-term (for upto one year)  | 39,092,288     | 32,095,399 |
| Long-term (for over one year)   | 20,063,297     | 22,099,764 |
|   | 59,155,585     | 54,195,163 |
| 11.11 Financings include Rs. 4,647.792 million (2010: Rs. 4,318.323 million) which have been placed under non-performing status as detailed below:                  |                |            |

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

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 11.12 Particulars of provision against non-performing financings:

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

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

The Bank has also maintained a general provision of Rs 1,175 million against financings made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of the Prudential Regulations.

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

## 11.12.3 Particulars of provision against non-performing financings:

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

Note 2011 2010  
Rupees in '000

## 11.13 Particulars of write offs

|                |   |       |       |       |
|----------------|---|-------|-------|-------|
| <b>11.13.1</b> | Against provision                           | 11.12 | 1,625 | 7,455 |
|                | Directly charged to profit and loss account |       | -     | -     |
|                |   |       | 1,625 | 7,455 |
| <b>11.13.2</b> | Write offs Rs. 500,000 and above            |       | 1,625 | 7,455 |
|                | Write offs below Rs. 500,000                |       | -     | -     |
|                |   |       | 1,625 | 7,455 |

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

In term of sub-section (3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2011 is given as Annexure - 1.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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

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

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

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

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

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

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

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

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

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

## 11.14.4 Loans and financings to Executives and a Director

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 12.2 Property and equipment

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

|  | 2010                  |                         |                         |                       |                         |                         |  | Rate of depreciation % |
|--|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|--|------------------------|
|  | COST                  |                         |                         | DEPRECIATION          |                         |                         | Net book value as at December 31, 2010 |                        |
|  | As at January 1, 2010 | Additions / (disposals) | As at December 31, 2010 | As at January 1, 2010 | Charge / (on disposals) | As at December 31, 2010 |  |                        |
|  | Rupees in '000        |                         |                         |                       |                         |                         |  |                        |
| Leasehold land                             | 544,440               | -                       | 544,440                 | -                     | -                       | -                       | 544,440                                |                        |
| Buildings on leasehold land                | 139,125               | 13,211                  | 152,336                 | 26,650                | 8,100                   | 34,750                  | 117,586                                | 5                      |
| Leasehold improvements                     | 861,336               | 159,545                 | 1,020,881               | 193,550               | 91,803                  | 285,353                 | 735,528                                | 10                     |
| Furniture and fixtures                     | 141,984               | 20,905                  | 162,889                 | 39,137                | 15,491                  | 54,628                  | 108,261                                | 10                     |
| Electrical, office and computer equipments | 846,337               | 166,112<br>(5,469)      | 1,006,980               | 440,452               | 182,355<br>(4,990)      | 617,817                 | 389,163                                | 20 and 33              |
| Vehicles                                   | 294,736               | 103,190<br>(39,249)     | 358,677                 | 111,056               | 61,326<br>(27,920)      | 144,462                 | 214,215                                | 20                     |
|  | 2,827,958             | 462,963<br>(44,718)     | 3,246,203               | 810,845               | 359,075<br>(32,910)     | 1,137,010               | 2,109,193                              |                        |



# Notes to and forming part of the Financial Statements

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## 12.3 Property and equipment - Movement of net book value

|   | Leasehold<br>land | Buildings on<br>leasehold<br>land | Leasehold<br>improvements | Furniture<br>and fixtures | Electrical,<br>office and<br>computer<br>equipments | Vehicles | Total     |
|---|-------------------|-----------------------------------|---------------------------|---------------------------|---|----------|-----------|
|   | Rupees in '000    |                                   |                           |                           |   |          |           |
| <b>At January 1, 2010</b>                 |                   |                                   |                           |                           |   |          |           |
| Cost                                      | 544,440           | 139,125                           | 861,336                   | 141,984                   | 846,337   | 294,736  | 2,827,958 |
| Accumulated depreciation                  | -                 | 26,650                            | 193,550                   | 39,137                    | 440,452   | 111,056  | 810,845   |
| Net book value                            | 544,440           | 112,475                           | 667,786                   | 102,847                   | 405,885   | 183,680  | 2,017,113 |
| <b>Year ended<br/>December 31, 2010</b>   |                   |                                   |                           |                           |   |          |           |
| Additions                                 | -                 | 13,211                            | 159,545                   | 20,905                    | 166,112   | 103,190  | 462,963   |
| Net book value of disposals               | -                 | -                                 | -                         | -                         | (479)   | (11,329) | (11,808)  |
| Depreciation charge                       | -                 | (8,100)                           | (91,803)                  | (15,491)                  | (182,355)   | (61,326) | (359,075) |
| Net book value as at<br>December 31, 2010 | 544,440           | 117,586                           | 735,528                   | 108,261                   | 389,163   | 214,215  | 2,109,193 |
| <b>Year ended<br/>December 31, 2011</b>   |                   |                                   |                           |                           |   |          |           |
| Additions                                 | 71,549            | 875,185                           | 446,073                   | 74,318                    | 477,821   | 123,492  | 2,068,438 |
| Net book value of disposals               | -                 | -                                 | (48,642)                  | (5,815)                   | (1,225)   | (16,229) | (71,911)  |
| Depreciation charge                       | -                 | (32,480)                          | (112,246)                 | (20,732)                  | (199,373)   | (71,908) | (436,739) |
| Net book value as at<br>December 31, 2011 | 615,989           | 960,291                           | 1,020,713                 | 156,032                   | 666,386   | 249,570  | 3,668,981 |

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



| Description   | Cost    | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchaser |
|---|---------|--------------------------|----------------|---------------|------------------|--------------------------|
| Rupees in '000  |         |                          |                |               |                  |                          |
| <b>Furniture and Fixtures</b>   |         |                          |                |               |                  |                          |
| Furniture and fixtures  | 9,842   | 4,611                    | 5,231          | -             | Discarded        |                          |
| <b>Leasehold Improvements</b>   |         |                          |                |               |                  |                          |
| Leasehold improvements  | 1,426   | 286                      | 1,140          | 839           | Insurance Claim  | Pak Kuwait Takaful Co.   |
| Leasehold improvements  | 4,311   | 3,198                    | 1,113          | -             | Negotiation      | Ali Brothers             |
| Leasehold improvements  | 98,475  | 52,106                   | 46,369         | 1,702         | Discarded        |                          |
|   | 104,212 | 55,590                   | 48,622         | 2,541         |                  |                          |
| <b>Items having book value in aggregate less than Rs. 250,000 or cost less than Rs. 1,000,000</b> |         |                          |                |               |                  |                          |
| Vehicles  | 11,923  | 8,649                    | 3,274          | 12,043        |                  |                          |
| Electrical, office and computer equipments  | 4,035   | 3,757                    | 278            | 434           |                  |                          |
| Furniture and Fixtures  | 2,248   | 1,664                    | 584            | -             |                  |                          |
| Leasehold improvements  | 30      | 10                       | 20             | 2             |                  |                          |
|   | 187,914 | 116,003                  | 71,911         | 40,660        |                  |                          |

## 12.4 Intangible assets

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

## 12.5 Intangible assets - Movement of net book value

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 13. OTHER ASSETS INCLUDING INVENTORIES

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

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

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

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

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

### 13.5 Provision against other assets

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

## 14. BILLS PAYABLE

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

## 15. DUE TO FINANCIAL INSTITUTIONS

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



| 15.1 | Particulars of due to financial institutions with respect to currencies | Note | 2011             | 2010             |
|------|---|------|------------------|------------------|
|      |   |      | Rupees in '000   |                  |
|      | In local currency   |      | 9,230,013        | 5,745,493        |
|      | In foreign currencies   |      | 5,947            | 83,803           |
|      |   |      | <u>9,235,960</u> | <u>5,829,296</u> |

## 15.2 Details of due to financial institutions secured / unsecured

### Secured

Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme

15.2.1

|           |           |
|-----------|-----------|
| 6,030,013 | 4,678,884 |
|-----------|-----------|

### Unsecured

Overdrawn nostro accounts

|       |        |
|-------|--------|
| 5,947 | 83,803 |
|-------|--------|

Other Musharakah / Modarabas

|                  |                  |
|------------------|------------------|
| 3,200,000        | 1,066,609        |
| <u>9,235,960</u> | <u>5,829,296</u> |

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

## 15.3 Particulars of due to financial institutions

|              | 2011             | 2010             |
|--------------|------------------|------------------|
|              | Rupees in '000   |                  |
| Short - term | 9,235,960        | 5,829,296        |
| Long - term  | -                | -                |
|              | <u>9,235,960</u> | <u>5,829,296</u> |

## 16. DEPOSITS AND OTHER ACCOUNTS

### Customers

|                                       |                    |                    |
|---------------------------------------|--------------------|--------------------|
| - Fixed deposits                      | 58,552,349         | 44,517,241         |
| - Savings deposits                    | 62,661,327         | 48,406,231         |
| - Current accounts - non-remunerative | 47,587,663         | 36,970,326         |
| - Margin                              | 682,891            | 649,920            |
|                                       | <u>169,484,230</u> | <u>130,543,718</u> |

### Financial institutions

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| - Remunerative deposits     | 540,703            | 512,706            |
| - Non-remunerative deposits | 5,498              | 13,904             |
|                             | <u>546,201</u>     | <u>526,610</u>     |
|                             | <u>170,030,431</u> | <u>131,070,328</u> |

## 16.1 Particulars of deposits

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| In                   |                    |                    |
| - local currency     | 162,518,193        | 124,387,769        |
| - foreign currencies | 7,512,238          | 6,682,559          |
|                      | <u>170,030,431</u> | <u>131,070,328</u> |

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 17. DEFERRED TAX ASSETS

| Note | 2011           | 2010      |
|------|----------------|-----------|
|      | Rupees in '000 |           |
|      | 1,210,464      | 966,539   |
|      | (501,237)      | (160,927) |
|      | -              | (505,619) |
|      | 129,284        | 48,698    |
|      | -              | 33,075    |
|      | 60,254         | 57,357    |
|      | 71,845         | 12,961    |
|      | 970,610        | 452,084   |
|      | (169,219)      | (109,909) |
|      | 801,391        | 342,175   |

## 18. OTHER LIABILITIES

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 18.3 Provision against off-balance sheet obligations

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

## 18.4 Reconciliation of charity payable

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

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

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

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

18.4.2 The balance in Charity's saving account is Rs. 12 million (2010: Rs. 10 million).

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

## 19. SHARE CAPITAL

### 19.1 Authorized capital

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 19.2 Issued, subscribed and paid-up capital

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

## 20. RESERVES

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

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

## 21. SURPLUS ON REVALUATION OF INVESTMENTS

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

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Direct credit substitutes

|                      |  |               |                |
|----------------------|--|---------------|----------------|
| Guarantees favouring |  |               |                |
| - Government         |  | <u>62,587</u> | <u>375,630</u> |

### 22.2 Transaction related contingent liabilities

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

### 22.3 Trade related contingent liabilities

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 26. OTHER INCOME

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

## 27. ADMINISTRATIVE EXPENSES

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

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

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

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

### 27.4 Auditors' remuneration

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

## 28. OTHER (REVERSALS) / CHARGES

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

## 29. TAXATION

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

### 29.1 Relationship between tax expense and accounting profit

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

## 30. BASIC AND DILUTED EARNINGS PER SHARE

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

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

## 31. CASH AND CASH EQUIVALENTS

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 32. STAFF STRENGTH

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

## 33. DEFINED BENEFIT PLAN

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

|  | Principal actuarial assumptions |          |
|--|---------------------------------|----------|
|  | 2011                            | 2010     |
| 33.1 Discount rate                     | 12.5% p.a                       | 13% p.a  |
| Expected rate of increase in salaries  | 12.5% p.a                       | 13% p.a  |
| Expected rate of return on investments | 12.5% p.a                       | 13% p.a  |
| Normal retirement age                  | 60 years                        | 60 years |

The disclosures made in notes 33.1 to 33.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2011.

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 33.7 Reconciliation of present value of obligation

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

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

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

## 33.9 The plan assets comprise of the following:

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

## 33.10 Actuarial loss to be recognized

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

## 33.11 Unrecognized actuarial losses

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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

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

**33.13 Expected gratuity expense for the next year**

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

## 34. DEFINED CONTRIBUTION PLAN

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

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

## 35. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

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

## 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financings, other assets, other liabilities and deposits and other accounts cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of financings has been calculated in accordance with the Bank's accounting policy as stated in note 6.3.3. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits are frequently repriced.

## 37. SEGMENT ANALYSIS

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

|                                    | Corporate<br>finance | Trading &<br>sales | Retail<br>banking | Commercial<br>banking | Payment &<br>settlement | Agency<br>services | Assets<br>management | Retail<br>brokerage | Total        |
|------------------------------------|----------------------|--------------------|-------------------|-----------------------|-------------------------|--------------------|----------------------|---------------------|--------------|
|                                    | Rupees in '000       |                    |                   |                       |                         |                    |                      |                     |              |
| <b>2011</b>                        |                      |                    |                   |                       |                         |                    |                      |                     |              |
| Total income                       | 1,349,065            | 11,540,075         | 2,125,872         | 5,514,099             | -                       | 7,796              | -                    | -                   | 20,536,907   |
| Total expenses                     | (755,501)            | (8,427,499)        | (1,723,856)       | (6,235,779)           | -                       | (2,729)            | -                    | -                   | (17,145,364) |
| Net income (loss)                  | 593,564              | 3,112,576          | 402,016           | (721,680)             | -                       | 5,067              | -                    | -                   | 3,391,543    |
| Segment Assets (Gross)             | 8,093,065            | 121,413,327        | 10,339,355        | 60,704,647            | -                       | -                  | -                    | -                   | 200,550,394  |
| Segment Non Performing Loans       | 257,000              | 110,341            | 941,311           | 3,706,481             | -                       | -                  | -                    | -                   | 5,015,133    |
| Segment Provision                  | 257,000              | 110,341            | 1,018,776         | 4,302,359             | -                       | -                  | -                    | -                   | 5,688,476    |
| Segment Liabilities                | -                    | 9,235,960          | 172,312,476       | 5,215,607             | -                       | -                  | -                    | -                   | 186,764,043  |
| Segment Return on Assets (ROA) (%) | 7.33%                | 2.56%              | 3.89%             | -1.19%                | -                       | -                  | -                    | -                   | -            |
| Segment Cost of funds (%)          | 5.75%                | 5.75%              | 5.75%             | 5.75%                 | -                       | -                  | -                    | -                   | -            |
| <b>2010</b>                        |                      |                    |                   |                       |                         |                    |                      |                     |              |
| Total income                       | 1,163,201            | 7,292,477          | 2,011,997         | 4,291,025             | -                       | 6,879              | -                    | -                   | 14,765,579   |
| Total expenses                     | (707,126)            | (6,114,527)        | (1,524,476)       | (4,767,248)           | -                       | (2,614)            | -                    | -                   | (13,115,991) |
| Net income (loss)                  | 456,075              | 1,177,950          | 487,521           | (476,223)             | -                       | 4,265              | -                    | -                   | 1,649,588    |
| Segment Assets (Gross)             | 6,980,143            | 90,973,438         | 11,215,421        | 45,583,423            | -                       | -                  | -                    | -                   | 154,762,425  |
| Segment Non Performing Loans       | 249,830              | -                  | 777,528           | 3,540,795             | -                       | -                  | -                    | -                   | 4,568,153    |
| Segment Provision                  | 189,830              | -                  | 483,215           | 3,266,931             | -                       | -                  | -                    | -                   | 3,939,976    |
| Segment Liabilities                | -                    | 7,596,666          | 131,070,328       | 5,005,440             | -                       | -                  | -                    | -                   | 143,672,434  |
| Segment Return on Assets (ROA) (%) | 6.53%                | 1.29%              | 4.35%             | -1.04%                | -                       | -                  | -                    | -                   | -            |
| Segment Cost of funds (%)          | 5.69%                | 5.69%              | 5.69%             | 5.69%                 | -                       | -                  | -                    | -                   | -            |

## 38. RELATED PARTY TRANSACTIONS

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

**38.2** A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out at arm's length basis i.e. transactions with related parties were on normal terms and conditions as applicable for other unrelated customers of the Bank.

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 38.3 Subsidiary company

- Al-Meezan Investment Management Limited

## 38.4 Key management personnel

- President and Chief Executive Officer  
- Chief Operating Officer

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

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

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

## Balances

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

## Transactions, income and expenses

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 38.6 Associates - Key Information

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

## 39. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

### 39.1 Scope of applications

The Basel II Framework is applicable at the level of standalone financial statements of the Bank. The capital assessment and adequacy of the group financial statements under Basel - II is separately calculated and disclosed in the consolidated financial statements of the group.

### 39.2 Capital structure

Banks regulatory capital is divided into three tiers as follows:

#### Tier I Capital

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

#### Tier II Capital

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

#### Tier III Capital

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

The required capital is achieved by the Bank through:

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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

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

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

## 39.3 Capital Adequacy

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

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



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

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

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

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

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

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 40 RISK MANAGEMENT

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

### Risk management principles

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

### Risk management organization

The Risk Management Committee comprises of two non-executive directors and one executive director. One of the non-executive directors of the Bank chairs the Risk Management Committee.

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

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

#### Name of the committee

#### Chaired by

Credit Committee

President & CEO

Asset and Liability Management Committee (ALCO)

President & CEO

Internal Controls and Operational Risk Management Committee (ICORMC)

COO

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

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

The ICORMC ensures adequate internal controls and systems are in place thereby ensuring operating efficiency.

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

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

## 40.1 Credit risk

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. The Bank also ensures to diversify its portfolio into different business segments, products and sectors. The Bank takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of Credit Risk Mitigation (CRM) resulted in the total credit risk weighted amount of Rs. 76,810 million.

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

### 40.1.1 Segmental information

#### 40.1.1.1 Segment by class of business

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 40.1.1.2 Segment by sector

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

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

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 40.1.1.5 Geographical segment analysis

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

## 40.1.2 Credit Risk - General Disclosures Basel II Specific

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

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

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

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

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



# Notes to and forming part of the Financial Statements

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Types of Exposure and ECAI's used

2011

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

Credit Exposure subject to standardized approach

Rupees in '000  
2011

| Exposures    | Rating Category | Amount Outstanding | Deduction CRM    | Net amount        |
|--------------|-----------------|--------------------|------------------|-------------------|
| Banks        | 0%              | -                  | -                | -                 |
|              | 20%             | 4,025,170          | -                | 4,025,170         |
|              | 50%             | 40,667             | -                | 40,667            |
|              | 100%            | -                  | -                | -                 |
|              | 150%            | -                  | -                | -                 |
|              | Unrated         | -                  | -                | -                 |
| Corporates   | 0%              | -                  | -                | -                 |
|              | 20%             | 11,703,370         | -                | 11,703,370        |
|              | 50%             | 6,296,096          | -                | 6,296,096         |
|              | 100%            | 531,066            | -                | 531,066           |
|              | 150%            | -                  | -                | -                 |
|              | Unrated         | 40,807,146         | 933,999          | 39,873,147        |
| Retails      | 0%              | -                  | -                | -                 |
|              | 20%             | -                  | -                | -                 |
|              | 50%             | -                  | -                | -                 |
|              | 75%             | 5,127,818          | 1,412,286        | 3,715,532         |
| <b>Total</b> |                 | <b>68,531,333</b>  | <b>2,346,285</b> | <b>66,185,048</b> |

CRM = Credit Risk Mitigation

# Notes to and forming part of the Financial Statements

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

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

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

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

The Bank mainly takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 59,338 million is subject to the CRM of Rs. 934 million whereas a claim on retail portfolio of Rs. 5,128 million is subject to CRM of Rs. 1,412 million. The total benefit of Rs. 2,346 million was availed through CRM against total on-balance sheet exposure of Rs. 195,356 million.

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

In year 2011, total amount of cash collateral used for CRM purposes was Rs. 3,895 million as against amount of Rs. 4,772 million in year 2010. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

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

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

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

### Classification of equity investments

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

- Investments - Held for trading
- Investments - Available for sale
- Investments in associates
- Investment in subsidiary

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

### Policies, valuation and accounting of equity investments

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

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

# Notes to and forming part of the Financial Statements

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

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

| Composition of equity investments | Held for trading | Available for Sale | Subsidiary and Associates |
|-----------------------------------|------------------|--------------------|---------------------------|
|                                   | Rupees in '000   |                    |                           |
| Equity investments - quoted       | -                | 2,023,973          | 7,999,745                 |
| Equity investments - unquoted     | -                | 123,119            | 191,050                   |
| Total value                       | -                | 2,147,092          | 8,190,795                 |

## 40.3 Market risk

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

The Bank applies Stress Testing and Value at Risk (VaR) techniques as risk management tool. Stress testing enables the Bank to estimate changes in the value of the portfolio, if exposed to various risk factor. VaR quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

### 40.3.1 Foreign exchange risk

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

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 40.3.2 Equity position risk

Equity position risk is the risk arising from taking long positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities.

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

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

IRRBB includes all material yield risk positions of the Bank taking into account all relevant repricing and maturity data. It includes current balances and contractual yield rates. Bank understands that its financings shall be repriced as per their respective contracts.

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

## 40.3.4 Mismatch of yield rate sensitive assets and liabilities

|   |       | 2011                  |                    |                    |                         |                   |                   |                   |                    |                |   |
|---|-------|-----------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|---|
| Effective yield rate %                              | Total | Exposed to yield risk |                    |                    |                         |                   |                   |                   |                    |                | Non-yield bearing financial Instruments |
|   |       | Upto 1 Month          | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years | Above 10 Years |   |
| Rupees in '000                                      |       |                       |                    |                    |                         |                   |                   |                   |                    |                |   |
| On-balance sheet financial instruments              |       |                       |                    |                    |                         |                   |                   |                   |                    |                |   |
| Assets  |       |                       |                    |                    |                         |                   |                   |                   |                    |                |   |
| Cash and balances with treasury banks               |       | 16,641,160            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 16,641,160                              |
| Balances with other banks                           | 0.02  | 2,348,076             | 431                | -                  | -                       | -                 | -                 | -                 | -                  | -              | 2,347,645                               |
| Due from financial institutions                     | 12.73 | 4,065,406             | 4,062,406          | 2,000              | 3,000                   | 8,000             | -                 | -                 | -                  | -              | -                                       |
| Investments   | 13.14 | 98,488,574            | -                  | 23,857,819         | 61,039,774              | -                 | -                 | 1,535,835         | 1,119,147          | -              | 10,935,999                              |
| Financings  | 13.29 | 59,155,585            | 8,467,266          | 15,998,282         | 20,294,545              | 10,580,193        | 651,442           | 1,085,057         | 1,380,199          | 249            | 698,352                                 |
| Other assets including inventories                  |       | 14,419,989            | 3,207,677          | 3,621,112          | 4,385,018               | 8,088             | -                 | -                 | -                  | -              | 3,198,094                               |
|   |       | 195,118,790           | 15,727,780         | 43,479,213         | 85,722,337              | 10,596,281        | 651,442           | 2,620,892         | 2,499,346          | 249            | 33,821,250                              |
| Liabilities   |       |                       |                    |                    |                         |                   |                   |                   |                    |                |   |
| Bills payable                                       | -     | 2,282,045             | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 2,282,045                               |
| Due to financial institutions                       | 10.23 | 9,235,960             | 3,468,885          | 2,831,289          | 2,935,786               | -                 | -                 | -                 | -                  | -              | -                                       |
| Deposits and other accounts                         | 5.57  | 170,030,431           | 121,754,381        | -                  | -                       | -                 | -                 | -                 | -                  | -              | 48,276,050                              |
| Sub-ordinated loan                                  | -     | -                     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -                                       |
| Liabilities against assets subject to finance lease | -     | -                     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -                                       |
| Other liabilities                                   | -     | 4,389,062             | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 4,389,062                               |
|   |       | 185,937,498           | 125,223,266        | 2,831,289          | 2,935,786               | -                 | -                 | -                 | -                  | -              | 54,947,157                              |
| On-balance sheet gap                                |       | 9,181,292             | (109,495,486)      | 40,647,924         | 82,786,551              | 10,596,281        | 651,442           | 2,620,892         | 2,499,346          | 249            | (21,125,907)                            |
| NON FINANCIAL ASSETS                                |       |                       |                    |                    |                         |                   |                   |                   |                    |                |   |
| - Operating fixed assets                            |       | 3,985,248             |                    |                    |                         |                   |                   |                   |                    |                |   |
| - Deferred tax assets                               |       | 801,391               |                    |                    |                         |                   |                   |                   |                    |                |   |
| - Other assets including trade inventories          |       | 644,965               |                    |                    |                         |                   |                   |                   |                    |                |   |
|   |       | 5,431,604             |                    |                    |                         |                   |                   |                   |                    |                |   |
| NON FINANCIAL LIABILITIES                           |       |                       |                    |                    |                         |                   |                   |                   |                    |                |   |
| - Deferred tax liabilities                          |       | -                     |                    |                    |                         |                   |                   |                   |                    |                |   |
| - Other liabilities                                 |       | 826,545               |                    |                    |                         |                   |                   |                   |                    |                |   |
|   |       | 826,545               |                    |                    |                         |                   |                   |                   |                    |                |   |
| TOTAL NET ASSETS                                    |       | 13,786,351            |                    |                    |                         |                   |                   |                   |                    |                |   |
| Off-balance sheet financial instruments             |       |                       |                    |                    |                         |                   |                   |                   |                    |                |   |
| Forward lendings                                    |       | -                     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -                                       |
| Forward borrowings                                  |       | -                     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -                                       |
| Off-balance sheet gap                               |       | -                     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -                                       |
| Total Yield Risk Sensitivity Gap                    |       | (109,495,486)         | 40,647,924         | 82,786,551         | 10,596,281              | 651,442           | 2,620,892         | 2,499,346         | 249                | -              | (21,125,907)                            |
| Cumulative Yield Risk Sensitivity Gap               |       | (109,495,486)         | (68,847,562)       | 13,938,989         | 24,535,270              | 25,186,712        | 27,807,604        | 30,306,950        | 30,307,199         | 30,307,199     | 9,181,292                               |



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



|   |                  | 2010                  |                          |                          |                               |                         |                         |                         |                          |                   |  |
|---|------------------|-----------------------|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------|--|
| Effective<br>yield<br>rate<br>%                     | Total            | Exposed to yield risk |                          |                          |                               |                         |                         |                         |                          |                   | Non-yield<br>bearing<br>financial<br>instruments |
|   |                  | Upto 1<br>Month       | Over 1<br>to 3<br>Months | Over 5<br>to 6<br>Months | Over 6<br>Months to<br>1 Year | Over 1<br>to 2<br>Years | Over 2<br>to 3<br>Years | Over 3<br>to 5<br>Years | Over 5<br>to 10<br>Years | Above 10<br>Years |  |
|   |                  | Rupees in '000        |                          |                          |                               |                         |                         |                         |                          |                   |  |
| On-balance sheet financial instruments              |                  |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Assets  |                  |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
|   |                  |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Cash and balances with treasury banks               | 12,780,806       | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 12,780,806                                       |
| Balances with other banks                           | 3.75 9,939,660   | 4,394,887             | 3,000,000                | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 2,544,773  |
| Due from financial institutions                     | 11.73 10,511,855 | 5,478,320             | 3,005,200                | 2,009,835                | 18,500                        | -                       | -                       | -                       | -                        | -                 | -  |
| Investments   | 12.21 54,966,907 | -                     | 557,227                  | 2,357,860                | 32,483,555                    | 1,412,302               | 108,708                 | 3,364,668               | 4,708,547                | -                 | 9,974,040  |
| Financings  | 13.04 54,195,163 | 7,407,853             | 10,448,265               | 12,239,329               | 1,999,952                     | 2,914,905               | 6,102,505               | 7,877,910               | 2,945,860                | 2,162,183         | 96,401   |
| Other assets including inventories                  | 8,280,462        | 1,693,053             | 1,956,232                | 2,420,796                | -                             | -                       | -                       | -                       | -                        | -                 | 2,210,381  |
|   | 150,674,853      | 18,974,113            | 18,966,924               | 19,027,820               | 34,502,007                    | 4,327,207               | 6,211,213               | 11,242,578              | 7,654,407                | 2,162,183         | 27,606,401                                       |
| Liabilities   |                  |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Bills payable                                       | -                | 1,767,370             | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 1,767,370  |
| Due to financial institutions                       | 9.24 5,829,296   | 586,620               | 2,605,949                | 2,552,924                | -                             | -                       | -                       | -                       | -                        | -                 | 83,803   |
| Deposits and other accounts                         | 5.49 131,070,328 | 93,436,178            | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 37,634,150                                       |
| Sub-ordinated loan                                  | -                | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Liabilities against assets subject to finance lease | -                | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Other liabilities                                   | -                | 4,041,658             | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 4,041,658  |
|   | 142,708,652      | 94,022,798            | 2,605,949                | 2,552,924                | -                             | -                       | -                       | -                       | -                        | -                 | 43,526,981                                       |
| On-balance sheet gap                                | 7,966,201        | (75,048,685)          | 16,360,975               | 16,474,896               | 34,502,007                    | 4,327,207               | 6,211,213               | 11,242,578              | 7,654,407                | 2,162,183         | (15,920,580)                                     |
| NON FINANCIAL ASSETS                                |                  |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Operating fixed assets                            | 3,066,100        |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Deferred tax assets                               | 342,175          |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Other assets including trade inventories          | 669,297          |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
|   | 4,077,572        |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| NON FINANCIAL LIABILITIES                           |                  |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Deferred tax liabilities                          | -                |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Other liabilities                                 | 963,782          |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
|   | 963,782          |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| TOTAL NET ASSETS                                    | 11,079,991       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Off-balance sheet financial instruments             |                  |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Forward lendings                                    | -                | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Forward borrowings                                  | -                | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Off-balance sheet gap                               | -                | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Total Yield Risk Sensitivity Gap                    |                  | (75,048,685)          | 16,360,975               | 16,474,896               | 34,502,007                    | 4,327,207               | 6,211,213               | 11,242,578              | 7,654,407                | 2,162,183         | (15,920,580)                                     |
| Cumulative Yield Risk Sensitivity Gap               |                  | (75,048,685)          | (58,687,710)             | (42,212,814)             | (7,710,807)                   | (3,383,600)             | 2,827,613               | 14,070,191              | 21,724,598               | 23,886,781        | 7,966,201  |

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

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

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

#### 40.4 Liquidity risk

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

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 40.4.1 Maturities of assets and liabilities

### 40.4.1.1 Maturities of assets and liabilities based on expected maturities

|   | 2011          |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|---|---------------|-----------------|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------|
|   | Total         | Upto 1<br>Month | Over 1<br>to 3<br>Months | Over 3<br>to 6<br>Months | Over 6<br>Months to<br>1 Year | Over 1<br>to 2<br>Years | Over 2<br>to 3<br>Years | Over 3<br>to 5<br>Years | Over 5<br>to 10<br>Years | Above 10<br>Years |
|   | Rupees in 000 |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Assets  |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Cash and balances with treasury banks               | 16,641,160    | 16,641,160      | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Balances with other banks                           | 2,348,076     | 2,348,076       | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Due from financial institutions                     | 4,065,406     | 4,052,406       | 2,000                    | 3,000                    | 8,000                         | -                       | -                       | -                       | -                        | -                 |
| Investments   | 98,488,574    | -               | 4,246,374                | 2,720,325                | 12,168,893                    | 26,428,554              | 46,220,671              | 2,070,759               | 3,782,769                | 850,229           |
| Financings  | 59,155,585    | 9,437,613       | 11,725,969               | 14,256,488               | 3,672,218                     | 3,689,073               | 5,511,414               | 7,409,343               | 1,615,207                | 1,838,260         |
| Other assets including inventories                  | 15,064,954    | 3,650,031       | 4,563,649                | 5,822,202                | 80,865                        | 180,201                 | 568,006                 | 200,000                 | -                        | -                 |
| Deferred tax assets                                 | 801,391       | -               | -                        | -                        | 200,348                       | 200,348                 | 200,348                 | 200,347                 | -                        | -                 |
| Operating fixed assets                              | 3,985,248     | -               | -                        | -                        | 552,293                       | 377,094                 | 377,094                 | 754,187                 | 828,445                  | 1,096,135         |
|   | 200,550,394   | 36,129,286      | 20,537,992               | 22,802,015               | 16,682,617                    | 30,875,270              | 52,877,533              | 10,634,636              | 6,226,421                | 3,784,624         |
| Liabilities   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Bills payable                                       | 2,282,045     | 2,282,045       | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Due to financial institutions                       | 9,235,960     | 3,468,885       | 2,831,289                | 2,935,786                | -                             | -                       | -                       | -                       | -                        | -                 |
| Deposits and other accounts                         | 170,030,431   | 10,195,903      | 23,149,730               | 13,543,340               | 22,863,037                    | 17,288,576              | 14,581,686              | 24,884,587              | 25,728,282               | 17,795,290        |
| Sub-ordinated loan                                  | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Liabilities against assets subject to finance lease | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Other liabilities                                   | 5,215,607     | 635,682         | 889,963                  | 1,324,351                | 824,409                       | 461,527                 | 440,279                 | 639,396                 | -                        | -                 |
| Deferred tax liabilities                            | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
|   | 186,764,043   | 16,582,515      | 26,870,982               | 17,803,477               | 23,687,446                    | 17,750,103              | 15,021,965              | 25,523,983              | 25,728,282               | 17,795,290        |
| Net assets  | 13,786,351    | 19,546,771      | (6,332,990)              | 4,998,538                | (7,004,829)                   | 13,125,167              | 37,855,568              | (14,889,347)            | (19,501,861)             | (14,010,666)      |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Share capital                                       | 8,029,933     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Reserves  | 2,058,319     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Unappropriated profit                               | 3,240,421     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Surplus on revaluation of investments               | 457,678       |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   | 13,786,351    |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
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|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
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|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
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|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
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|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
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|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
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|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
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|   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## 40.4.1.2 Maturities of assets and liabilities based on contractual maturities

|   | 2011          |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|---|---------------|-----------------|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------|
|   | Total         | Upto 1<br>Month | Over 1<br>to 3<br>Months | Over 3<br>to 6<br>Months | Over 6<br>Months to<br>1 Year | Over 1<br>to 2<br>Years | Over 2<br>to 3<br>Years | Over 3<br>to 5<br>Years | Over 5<br>to 10<br>Years | Above 10<br>Years |
|   | Rupees in 000 |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| <b>Assets</b>                                       |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Cash and balances with treasury banks               | 16,641,160    | 16,641,160      | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Balances with other banks                           | 2,348,076     | 2,348,076       | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Due from financial institutions                     | 4,065,406     | 4,052,406       | 2,000                    | 3,000                    | 8,000                         | -                       | -                       | -                       | -                        | -                 |
| Investments   | 98,488,574    | -               | 4,246,374                | 2,720,325                | 12,168,893                    | 26,428,554              | 46,220,671              | 2,070,759               | 3,782,769                | 850,229           |
| Financings  | 59,155,585    | 9,437,613       | 11,725,969               | 14,256,488               | 3,672,218                     | 3,689,073               | 5,511,414               | 7,409,343               | 1,615,207                | 1,838,260         |
| Other assets including inventories                  | 15,064,954    | 3,650,031       | 4,563,649                | 5,822,202                | 80,865                        | 180,201                 | 568,006                 | 200,000                 | -                        | -                 |
| Deferred tax assets                                 | 801,391       | -               | -                        | -                        | 200,348                       | 200,348                 | 200,348                 | 200,347                 | -                        | -                 |
| Operating fixed assets                              | 3,985,248     | -               | -                        | -                        | 552,293                       | 377,094                 | 377,094                 | 754,187                 | 828,445                  | 1,096,135         |
|   | 200,550,394   | 36,129,286      | 20,537,992               | 22,802,015               | 16,682,617                    | 30,875,270              | 52,877,533              | 10,634,636              | 6,226,421                | 3,784,624         |
| <b>Liabilities</b>                                  |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Bills payable                                       | 2,282,045     | 2,282,045       | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Due to financial institutions                       | 9,235,960     | 3,468,885       | 2,831,289                | 2,935,786                | -                             | -                       | -                       | -                       | -                        | -                 |
| Deposits and other accounts                         | 170,030,431   | 111,872,640     | 15,281,451               | 6,224,343                | 12,512,412                    | 2,650,582               | 3,349,558               | 7,073,001               | 11,066,444               | -                 |
| Sub-ordinated loan                                  | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Liabilities against assets subject to finance lease | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Other liabilities                                   | 5,215,607     | 635,682         | 889,963                  | 1,324,351                | 824,409                       | 461,526                 | 440,277                 | 639,399                 | -                        | -                 |
| Deferred tax liabilities                            | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
|   | 186,764,043   | 118,259,252     | 19,002,703               | 10,484,480               | 13,336,821                    | 3,112,108               | 3,789,835               | 7,712,400               | 11,066,444               | -                 |
| <b>Net assets</b>                                   | 13,786,351    | (82,129,966)    | 1,535,289                | 12,317,535               | 3,345,796                     | 27,763,162              | 49,087,698              | 2,922,236               | (4,840,023)              | 3,784,624         |
| Share capital                                       | 8,029,933     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Reserves  | 2,058,319     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Unappropriated profit                               | 3,240,421     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Surplus on revaluation of investments               | 457,678       |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   | 13,786,351    |                 |                          |                          |                               |                         |                         |                         |                          |                   |

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

|   | 2010          |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|---|---------------|-----------------|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------|
|   | Total         | Upto 1<br>Month | Over 1<br>to 3<br>Months | Over 3<br>to 6<br>Months | Over 6<br>Months to<br>1 Year | Over 1<br>to 2<br>Years | Over 2<br>to 3<br>Years | Over 3<br>to 5<br>Years | Over 5<br>to 10<br>Years | Above 10<br>Years |
|   | Rupees in 000 |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Assets  |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Cash and balances with treasury banks               | 12,780,806    | 12,780,806      | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Balances with other banks                           | 9,939,660     | 6,939,660       | 3,000,000                | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Due from financial institutions                     | 10,511,855    | 5,478,320       | 3,005,200                | 2,009,835                | 18,500                        | -                       | -                       | -                       | -                        | -                 |
| Investments   | 54,966,907    | -               | 557,227                  | 4,831,921                | 32,484,452                    | 1,412,302               | 108,708                 | 3,364,668               | 4,708,548                | 7,499,081         |
| Financings  | 54,195,163    | 7,407,853       | 10,448,265               | 12,239,329               | 1,999,952                     | 2,914,905               | 6,102,505               | 7,877,910               | 2,945,860                | 2,258,584         |
| Other assets including inventories                  | 8,949,739     | 2,216,650       | 3,293,965                | 2,982,004                | 457,140                       | -                       | -                       | -                       | -                        | -                 |
| Deferred tax assets                                 | 342,175       | -               | -                        | -                        | 85,544                        | 85,544                  | 85,544                  | 85,543                  | -                        | -                 |
| Operating fixed assets                              | 3,066,100     | -               | -                        | -                        | 1,084,534                     | 231,760                 | 231,760                 | 463,521                 | 451,291                  | 603,234           |
|   | 154,752,425   | 34,823,289      | 20,304,657               | 22,063,089               | 36,130,122                    | 4,644,511               | 6,528,517               | 11,791,642              | 8,105,699                | 10,360,899        |
| Liabilities   |               |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Bills payable                                       | 1,767,370     | 1,767,370       | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Due to financial institutions                       | 5,829,296     | 670,424         | 2,605,949                | 2,552,923                | -                             | -                       | -                       | -                       | -                        | -                 |
| Deposits and other accounts                         | 131,070,328   | 82,420,246      | 14,447,645               | 5,044,246                | 9,520,868                     | 1,993,228               | 3,122,366               | 6,310,609               | 8,211,120                | -                 |
| Sub-ordinated loan                                  | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Liabilities against assets subject to finance lease | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
| Other liabilities                                   | 5,005,440     | 1,347,399       | 1,192,763                | -                        | 346,161                       | -                       | -                       | 2,119,117               | -                        | -                 |
| Deferred tax liabilities                            | -             | -               | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 |
|   | 143,672,434   | 86,205,439      | 18,246,357               | 7,597,169                | 9,867,029                     | 1,993,228               | 3,122,366               | 8,429,726               | 8,211,120                | -                 |
| Net assets  | 11,079,991    | (51,382,150)    | 2,058,300                | 14,465,920               | 26,263,093                    | 2,651,283               | 3,406,151               | 3,361,916               | (105,421)                | 10,360,899        |
| Share capital                                       | 6,982,550     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Reserves  | 1,380,010     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Unappropriated profit                               | 2,377,563     |                 |                          |                          |                               |                         |                         |                         |                          |                   |
| Surplus on revaluation of investments               | 339,868       |                 |                          |                          |                               |                         |                         |                         |                          |                   |
|   | 11,079,991    |                 |                          |                          |                               |                         |                         |                         |                          |                   |

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

# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011

## 40.5 Operational risk

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

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

## 41. TRUST ACTIVITIES

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

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

## 42. GENERAL AND NON-ADJUSTING EVENT

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

## 43. DATE OF AUTHORIZATION

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



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



Irfan Siddiqui  
President and  
Chief Executive



Abdullateef  
A. Al-Asfour  
Director



Mohammad  
Abdul Aleem  
Director



# Notes to and forming part of the Financial Statements

For the year ended December 31, 2011



## Annexure -I

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

Rupees in '000

| S. No. | Name and address of the borrower | Name of director (with NIC No.)       | Father's / Husband's Name | Outstanding Exposures at beginning of year |        |        |               | Principal written-off | Profit written-off | Other Financial Relief Provided | Total (9+10+11) |
|--------|----------------------------------|---------------------------------------|---------------------------|--|--------|--------|---------------|-----------------------|--------------------|---------------------------------|-----------------|
|        |                                  |                                       |                           | Principal                                  | Profit | Others | Total (5+6+7) |                       |                    |                                 |                 |
| 1      | 2                                | 3                                     | 4                         | 5  | 6      | 7      | 8             | 9                     | 10                 | 11                              | 12              |
| 1      | Fateh Textile Mills Ltd.         | Mr Inayat Ullah (451-40-027107)       | Mr Barkat Bhai            | 19,733                                     | 22,071 | -      | 41,804        | -                     | 20,301             | -                               | 20,301          |
|        |                                  | Mr Gohar Ullah (451-64-027111)        | Mr Inayat Ullah           |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Asad Ullah Barkat (451-71-027113)  | Mr Inayat Ullah           |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Humayun Barkat (451-89-027114)     | Mr Inayat Ullah           |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Maqsood Ahmed Khan (449-42-176221) | Mr Zahoor Ahmed Khan      |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Muhammad Saleem (501-55-166315)    | Mr Noor Muhammad          |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Muhammad Shafi (501-47-013051)     | Mr Mumtaz Ali Khan        |  |        |        |               |                       |                    |                                 |                 |
| 2      | Amir Majeed Kaludi               | Amir Majeed Kaludi (42301-6831572-5)  | Abdul Majeed Kaludi       | 9,125                                      | 4,782  | -      | 13,907        | 1,625                 | 4,782              | -                               | 6,407           |
| 3      | Sunny Enterprises                | Muhammad Akram (34101-2511309-3)      | N/A                       | 1,048                                      | 195    | 3,253  | 4,496         | -                     | 195                | 3,253                           | 3,448           |



## WOOD

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





## Consolidated Financial Statements

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

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Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

### **Auditors' Report to the Members**

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Meezan Bank Limited ('the Bank') and its subsidiary (here-in-after referred to as 'the Group') as at 31 December 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 18 branches, which have been audited by us.

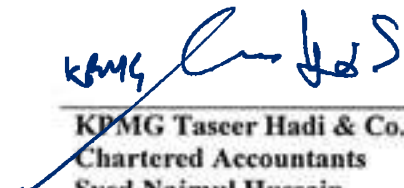
The consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Meezan Bank Limited and its subsidiary as at 31 December 2011 and the results of their operations, their comprehensive income, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Date: 19 February 2012

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Najmul Hussain



# Consolidated Statement of Financial Position

As at December 31, 2011



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

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

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

Irfan Siddiqui  
President and  
Chief Executive

Abdullateef  
A. Al-Asfour  
Director

Mohammad  
Abdul Aleem  
Director

# Consolidated Profit and Loss Account

For the year ended December 31, 2011

[illegible]

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

S. Khalifa

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



**Irfan Siddiqui**  
President and  
Chief Executive

*[Handwritten signature]*

**Abdullateef  
A. Al-Asfour  
Director**

P. L. L. L.

**Mohammad  
Abdul Aleem  
Director**

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2011



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

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

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

Irfan Siddiqui  
President and  
Chief Executive

Abdullateef  
A. Al-Asfour  
Director

Mohammad  
Abdul Aleem  
Director

# Consolidated Cash Flow Statement

For the year ended December 31, 2011

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

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



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



Irfan Siddiqui  
President and  
Chief Executive



Abdullateef  
A. Al-Asfour  
Director



Mohammad  
Abdul Aleem  
Director



# Consolidated Statement of Changes in Equity

For the year ended December 31, 2011



|   | Share capital  | Capital reserves  |                                   | Revenue reserves |                       | Non controlling interest | Total      |
|---|----------------|-------------------|-----------------------------------|------------------|-----------------------|--------------------------|------------|
|   |                | Statutory reserve | Reserve for issue of bonus shares | General reserve  | Unappropriated profit |                          |            |
|   | Rupees in '000 |                   |                                   |                  |                       |                          |            |
| Balance as at January 01, 2010                                | 6,650,048      | 983,326           | -                                 | 91,082           | 2,089,956             | 302,987                  | 10,117,399 |
| <b>Total Comprehensive income for the year</b>                |                |                   |                                   |                  |                       |                          |            |
| Profit after taxation for the year ended December 31, 2010    | -              | -                 | -                                 | -                | 1,899,782             | -                        | 1,899,782  |
| Share of profit attributable to non controlling interest      | -              | -                 | -                                 | -                | (74,027)              | 74,027                   | -          |
| <b>Transactions with owners recognised directly in equity</b> |                |                   |                                   |                  |                       |                          |            |
| Dividend payout by AMIML                                      | -              | -                 | -                                 | -                | 106,250               | (37,187)                 | 69,063     |
| Transfer to reserve for issue of bonus shares                 | -              | -                 | 332,502                           | -                | (332,502)             | -                        | -          |
| Issue of bonus shares   | 332,502        | -                 | (332,502)                         | -                | -                     | -                        | -          |
|   | 332,502        | -                 | -                                 | -                | (332,502)             | -                        | -          |
| Transfer to statutory reserve                                 | -              | 329,918           | -                                 | -                | (329,918)             | -                        | -          |
| Balance as at December 31, 2010                               | 6,982,550      | 1,313,244         | -                                 | 91,082           | 3,359,541             | 339,827                  | 12,086,244 |
| <b>Total Comprehensive income for the year</b>                |                |                   |                                   |                  |                       |                          |            |
| Profit after taxation for the year ended December 31, 2011    | -              | -                 | -                                 | -                | 3,046,057             | -                        | 3,046,057  |
| Share of profit attributable to non controlling interest      | -              | -                 | -                                 | -                | (100,179)             | 100,179                  | -          |
| <b>Transactions with owners recognised directly in equity</b> |                |                   |                                   |                  |                       |                          |            |
| Dividend payout by AMIML                                      | -              | -                 | -                                 | -                | 75,000                | (26,250)                 | 48,750     |
| Transfer to reserve for issue of bonus shares                 | -              | -                 | 1,047,383                         | -                | (1,047,383)           | -                        | -          |
| Issue of bonus shares   | 1,047,383      | -                 | (1,047,383)                       | -                | -                     | -                        | -          |
| Cash dividend for the year 2011                               | -              | -                 | -                                 | -                | (802,993)             | -                        | (802,993)  |
|   | 1,047,383      | -                 | -                                 | -                | (1,850,376)           | -                        | (802,993)  |
| Transfer to statutory reserve                                 | -              | 678,309           | -                                 | -                | (678,309)             | -                        | -          |
| Balance as at December 31, 2011                               | 8,029,933      | 1,991,553         | -                                 | 91,082           | 3,851,734             | 413,756                  | 14,378,058 |

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

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

Irfan Siddiqui  
President and  
Chief Executive

Abdullateef  
A. Al-Asfour  
Director

Mohammad  
Abdul Aleem  
Director

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

### Holding Company

- Meezan Bank Limited

### Subsidiary Company

- Al Meezan Investment Management Limited

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

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

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

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

The Group's associates are as follows:

| Entity / fund                              | Country of incorporation/ domicile | Nature of business  | Direct holding % | Indirect holding % | Effective holding % |
|--|------------------------------------|---|------------------|--------------------|---------------------|
| Meezan Islamic Fund (MIF)                  | Pakistan                           | Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the Trustee.   | N/A              | N/A                | N/A                 |
| Meezan Islamic Income Fund (MIIF)          | Pakistan                           | Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the Trustee.   | N/A              | N/A                | N/A                 |
| Meezan Balanced Fund (MBF)                 | Pakistan                           | Closed end scheme established under a trust deed executed between AMIML as the management company and CDC as the Trustee. | 13.45            | 3.18               | 15.52               |
| Al Meezan Mutual Fund (AMMF)               | Pakistan                           | Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the Trustee.   | N/A              | N/A                | N/A                 |
| Meezan Capital Protected Fund II (MCPF II) | Pakistan                           | Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the Trustee.   | N/A              | N/A                | N/A                 |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



| Entity / fund                                       | Country of incorporation/<br>domicile | Nature of business   | Direct holding % | Indirect holding % | Effective holding % |
|---|---------------------------------------|--|------------------|--------------------|---------------------|
| Meezan Sovereign Fund (MSF)                         | Pakistan                              | Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the Trustee.    | N/A              | N/A                | N/A                 |
| Meezan Tahaffuz Pension Fund (MTPF)                 | Pakistan                              | Open end scheme established under a trust deed executed between AMIML as the management company and CDC as the Trustee.    | N/A              | N/A                | N/A                 |
| Blue Water (Private) Limited (BWL)                  | Pakistan                              | Business of purchase and sale of land.   | 30               | 13                 | 43                  |
| Falcon Greenwood (Private) Limited (FGL)            | Pakistan                              | Business of purchase and sale of land.   | 25               | -                  | 25                  |
| Faysal Management Services (Private) Limited (FMSL) | Pakistan                              | Floataction and management of modarabas under Modarabas Companies and Modarabas (Floataction and Control) Ordinance, 1980. | 30               | -                  | 30                  |
| Plexus (Private) Limited                            | Pakistan                              | Business of development and export of IT enabled services and internet solutions.  | 50               | -                  | 50                  |

## 2. BASIS OF PRESENTATION AND CONSOLIDATION

### 2.1 Basis of presentation

**2.1.1** These consolidated financial statements have been prepared from the information available in the audited financial statements of the Holding company for the year ended December 31, 2011 and the condensed interim financial statements of AMIML for the six months period ended December 31, 2011 which have only been subjected to a review but are not audited. AMIML prepares its financial statements upto June 30 each year. In preparing the consolidated profit and loss account for the year ended December 31, 2011 the results for the period January 1 to June 30, 2011 have been calculated from the audited financial statements of AMIML for the year ended June 30, 2011 after eliminating the results for the six months period ended December 31, 2010. Certain disclosures relating to AMIML as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2011.

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

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

#### Entity

#### Source of information

Meezan Islamic Fund (MIF)

Financial statements for the half year ended December 31, 2011 and 2010, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.

Meezan Islamic Income Fund (MIIF)

Financial statements for the half year ended December 31, 2011 and 2010, unaudited but subject to a limited review by its statutory auditors, and audited financial statements for the year ended June 30, 2011.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

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

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

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

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

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



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

## 2.2 Basis of Consolidation

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

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

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

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

## 3. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

- (e) Staff retirement benefits (notes 6.10 and 34).
- (f) Depreciation and amortisation methods of operating fixed assets (notes 6.5.3 and 12).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 3.2, 6.9, 13 and 30).
- (h) Measurement of share based payments (notes 6.20, 18.5 and 23.9).

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

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

With reference to allowability of provision, the management has carried out an exercise at year end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 1,210 million (2010: Rs. 967 million).

## 4. STATEMENT OF COMPLIANCE

- 4.1** These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards issued by the International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP). In case the requirements of provisions and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by SBP differ, the provisions of and the directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by SBP shall prevail.
- 4.2** SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for banks in Pakistan. Accordingly, the requirements of those IASs have not been considered in preparation of these consolidated financial statements to the extent relevant to the Holding Company's financial positions and results.

## 5. BASIS OF MEASUREMENT

- 5.1** These consolidated financial statements have been prepared under the historical cost convention except that certain investments and commitments in respect of certain foreign exchange contracts are valued at market rates in accordance with the requirements of SBP.
- 5.2 Functional and Presentation Currency**  
These consolidated financial statements have been presented in Pakistani Rupee, which is the Group's functional and presentation currency.
- 5.3 Rounding off**  
Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 6.2 Revenue recognition

- i) Profit on Murabaha and Commodity Murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.
- ii) The Group follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir.
- iii) Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognised as income on accrual basis.
- iv) Profit on Bai Muajjal is recognised on accrual basis.
- v) Profit on Diminishing Musharakah financings is recognised on accrual basis.
- vi) Profit on Musharakah financings is recognised on declaration of profit by Musharakah partners.
- vii) Profit on Tijarah and Istisna financings are recognised on accrual basis commencing from time of sale of goods till the realisation of sale proceeds.
- viii) Profit on Service Ijarah is recognised on accrual basis.
- ix) Profit on Sukuks is recognised on accrual basis.
- x) Commission on letters of credit, acceptances and guarantees is recognized on receipt basis, except for commission on guarantees in excess of Rs. 50,000 which is recognized over the period of the guarantee. Fee and brokerage income are recognised when earned.
- xi) Dividend income is recognised when the Group's right to receive dividend is established.
- xii) Purchase and sale of investments are recorded on the dates of contract. Gains and losses on sale of investments are also recorded on those dates.
- xiii) Advisory fee and commission income are recognized by AMIML as and when services are provided. Performance fee related to advisory services are recorded on confirmation.
- xiv) Remuneration from Al Meezan Mutual Fund, Meezan Balance Fund, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund II and Meezan Sovereign Fund is recognised on the basis of average annual net assets value of the funds.
- xv) Return on deposits is recognised on receipt basis except for return on fixed deposits which is recognised on accrual basis.
- xvi) Sales load is recognised on accrual basis.
- xvii) Consistent with prior years, profit required to be suspended in compliance with the Prudential Regulations issued by SBP is recorded on receipt basis.

## 6.3 Financings

### Murabaha

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

### Ijarah

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

### Istisna

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

## Tijarah

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

## Diminishing Musharakah

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

## Running Musharakah

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

## Bai Muajjal

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

## Service Ijarah

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

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

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

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

### **6.3.3 Provision against non-performing financings**

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

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

## **6.4 Investments**

### **6.4.1 MBL classifies its investments as follows:**

#### **- Held for trading**

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

#### **- Held to maturity**

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

#### **- Available for sale**

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



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 6.4.2 AMIML classify their investments as follows:

### - Financial assets at fair value through profit and loss

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

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

### - Available for sale

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

## 6.4.3 Investments are valued as follows:

- Quoted securities, excluding investments categorised as 'held to maturity' securities and investments in subsidiary and associates, are stated at revalued amounts.
- Unquoted investments are carried at cost less impairment loss.
- Investments in associates are accounted for under equity method.
- Investments in securities categorised as 'held to maturity' are carried at amortised cost less impairment.

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

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

6.4.6 Cost of investment is determined on moving average basis.

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

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

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

## 6.5 Operating fixed assets

### 6.5.1 Tangible assets

Tangible operating fixed assets are stated at cost less accumulated depreciation and any identified impairment. Items of fixed assets costing Rs. 20,000 or less are not capitalised by MBL and are charged off in the month of purchase. Profit or loss on disposal of fixed assets is included in income currently.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 6.5.2 Intangible assets

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

## 6.5.3 Depreciation / amortisation

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

## 6.5.4 Capital work-in-progress

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

## 6.5.5 Useful lives and residual values

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

## 6.5.6 Maintenance and normal repairs

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

## 6.5.7 Impairment

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

## 6.6 Ijarah Assets (IFAS 2)

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

### - Depreciation

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

### - Ijarah Rentals

Ijarah rentals outstanding are disclosed in 'Other Assets' on the Statement of Financial Position at amortised cost.

### - Impairment

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

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

## 6.7 Inventories

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

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 6.8 Deposits

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

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

No profit or loss is passed to current account depositors.

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

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

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

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

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

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

## 6.9 Taxation

### Current

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

### Deferred

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

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

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

## 6.10 Staff retirement benefits

### Defined benefit plan

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

The scheme was approved by the tax authorities in April 2000 and the last actuarial valuation was conducted as at December 31, 2011. The Projected Unit Credit method was used for actuarial valuation.

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

AMIML operates a funded gratuity scheme for all its permanent employees. Employees are entitled to benefits under the scheme on the completion of a minimum eligibility period of service under the rules of the fund. The 'Projected Unit Credit Method' was used for actuarial valuation. Actuarial gains or losses are recognised over the expected average remaining working lives of employees by the Group.

## Defined contribution plan

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

## 6.11 Compensated absences

The Group recognises liability in respect of employees compensated absences in the period in which these are earned upto the balance sheet date. The provision has been recognised on the basis of actuarial valuation conducted as at December 31, 2011 for MBL, and as at June 30, 2011 for AMIML, on the basis of Projected Unit Credit method.

## 6.12 Dividend and reserves

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

## 6.13 Foreign currency transactions

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

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

## 6.14 Provisions and contingent assets and liabilities

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

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

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

## 6.15 Offsetting

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

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



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 6.16 Segment reporting

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

### 6.16.1 Business segments

#### Corporate financing

It includes investment Banking, syndications, IPO related activities, secondary private placements, underwriting and securitization.

#### Trading and sales

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

#### Retail banking

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

#### Commercial banking

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

#### Agency services

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

#### Payment and settlement

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

### 6.16.2 Geographical segments

The Group operates only in Pakistan.

## 6.17 Impairment

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

## 6.18 Fiduciary assets

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 6.19 Transactions involving financial instruments sold on deferred settlement basis

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

## 6.20 Share-based compensation

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

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

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

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



|  | Note   | 2011           | 2010       |
|--|--|----------------|------------|
|  |  | Rupees in '000 |            |
| <b>9. DUE FROM FINANCIAL INSTITUTIONS</b>                                |  |                |            |
| Bai Muajjal  | 9.1  | 4,040,239      | 7,966,079  |
| Commodity Murabaha   | 9.2  | 78,302         | 1,094,501  |
| Wakalah  |  | -              | 45,775     |
| Modaraba   |  | -              | 1,500,000  |
|  |  | 4,118,541      | 10,606,355 |
| Provision against non-performing amounts due from financial institutions | 9.4  | (53,135)       | (94,500)   |
|  |  | 4,065,406      | 10,511,855 |
| 9.1  | The average return on these products is 11.30% (2010: 12.89%) per annum and will mature between January 2012 to February 2013. |                |            |
| 9.2  | The average return on this product is 1.2% (2010: 0.9%) per annum (Euro) and will mature in January 2012.                      |                |            |

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 10. INVESTMENTS

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

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



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

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

- 10.2.2** Investments in associates except Meezan Islamic Income Fund and Meezan Sovereign Fund form part of strategic investment of the Group and cannot be sold for five years from the last date of purchase of such securities.

## 10.3 Held for Trading Securities

The Group holds investments in sukuk in the following investee companies:

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 10.4 Quality of Available for Sale Securities

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

| Name of the investee<br>company / fund            | Note   | 2011                                       | 2010      | 2011    | 2010    | 2011            |  | 2010            |  |
|---|--------|--|-----------|---------|---------|-----------------|--|-----------------|--|
|   |        | Number of shares /<br>units / certificates |           | Cost    |         | Market<br>value | Entity rating<br>long term /<br>short term | Market<br>value | Entity rating<br>long term /<br>short term |
| Rupees in '000                                    |        |  |           |         |         |                 |  |                 |  |
| Ordinary shares                                   |        |  |           |         |         |                 |  |                 |  |
| Automobile parts and accessories                  |        |  |           |         |         |                 |  |                 |  |
| Agriauto Industries Limited                       | 10.4.1 | 190,542                                    | 324,000   | 11,969  | 20,352  | 10,956          | Unrated                                    | 24,689          | Unrated                                    |
| Cement  |        |  |           |         |         |                 |  |                 |  |
| Attock Cement Pakistan Limited                    |        | 190,737                                    | 200,737   | 8,372   | 8,811   | 9,728           | Unrated                                    | 12,668          | Unrated                                    |
| D.G. Khan Cement Company Limited                  |        | -  | 115,000   | -       | 3,068   | -               | -  | 3,470           | Unrated                                    |
| Lucky Cement Company Limited                      |        | 1,252,089                                  | 1,092,326 | 88,806  | 75,589  | 95,957          | Unrated                                    | 82,787          | Unrated                                    |
| Automobile assembler                              |        |  |           |         |         |                 |  |                 |  |
| Indus Motor Company Limited                       |        | -  | 738       | -       | 106     | -               | -  | 186             | Unrated                                    |
| Pak Suzuki Motor Company Limited                  |        | 26,360                                     | 30,700    | 2,248   | 2,618   | 1,556           | Unrated                                    | 2,143           | Unrated                                    |
| Power generation and distribution                 |        |  |           |         |         |                 |  |                 |  |
| The Hub Power Company Limited                     |        | 2,261,651                                  | 1,300,000 | 83,703  | 46,652  | 77,348          | AA+/A1+                                    | 48,633          | AA+/A1+                                    |
| Oil and gas marketing                             |        |  |           |         |         |                 |  |                 |  |
| Pakistan State Oil Company Limited                |        | -  | 494,446   | -       | 144,138 | -               | -  | 145,951         | AA+ / A1+                                  |
| Oil and gas exploration                           |        |  |           |         |         |                 |  |                 |  |
| Pakistan Oilfields Limited                        |        | 569,676                                    | 531,676   | 166,177 | 120,911 | 197,364         | Unrated                                    | 157,355         | Unrated                                    |
| Oil and Gas Development<br>Company Limited        |        | 888,431                                    | 621       | 125,171 | 84      | 134,704         | AAA / A1+                                  | 106             | AAA / A1+                                  |
| Pakistan Petroleum Limited                        |        | 1,127,139                                  | 904,490   | 181,579 | 139,117 | 189,720         | Unrated                                    | 196,410         | Unrated                                    |
| Attock Petroleum Limited                          |        | 15,000                                     | -         | 4,953   | -       | 6,188           | Unrated                                    | -               | -  |
| Fertilizer  |        |  |           |         |         |                 |  |                 |  |
| Fauji Fertilizer Bin Qasim Limited                |        | -  | 2,482,500 | -       | 79,644  | -               | -  | 88,700          | Unrated                                    |
| Fauji Fertilizer Company Limited                  |        | 1,489,429                                  | 1,445,543 | 143,709 | 151,733 | 222,729         | Unrated                                    | 181,936         | Unrated                                    |
| Paper and board                                   |        |  |           |         |         |                 |  |                 |  |
| Packages Limited                                  |        | -  | 250,783   | -       | 46,826  | -               | -  | 32,253          | AA / A1+                                   |
| Chemicals   |        |  |           |         |         |                 |  |                 |  |
| ICI Pakistan Limited                              |        | 595,489                                    | 505,489   | 81,984  | 66,286  | 71,619          | Unrated                                    | 72,912          | Unrated                                    |
| Lotte Pakistan PTA Limited                        |        | -  | 978,530   | -       | 12,896  | -               | -  | 13,406          | Unrated                                    |
| Technology and communication                      |        |  |           |         |         |                 |  |                 |  |
| Pakistan Telecommunication<br>Company Limited (A) |        | -  | 2,801,100 | -       | 67,539  | -               | -  | 54,397          | Unrated                                    |
| Refinery  |        |  |           |         |         |                 |  |                 |  |
| National Refinery Limited                         |        | -  | 99,936    | -       | 19,780  | -               | -  | 27,361          | Unrated                                    |
| Jute  |        |  |           |         |         |                 |  |                 |  |
| Thal Limited                                      |        | -  | 9,200     | -       | 579     | -               | -  | 1,198           | Unrated                                    |

# Notes to and forming part of the Consolidated Financial Statements

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| Name of the investee<br>company / fund          | Note    | 2011                                       | 2010       | 2011       | 2010       | 2011            |  | 2010            |  |
|---|---------|--|------------|------------|------------|-----------------|--|-----------------|--|
|   |         | Number of shares /<br>units / certificates |            | Cost       |            | Market<br>value | Entity rating<br>long term /<br>short term | Market<br>value | Entity rating<br>long term /<br>short term |
| Rupees in '000                                  |         |  |            |            |            | Rupees in '000  |  |                 |  |
| <b>Miscellaneous</b>                            |         |  |            |            |            |                 |  |                 |  |
| Tri-Pack Films                                  |         | 223,616                                    | 223,616    | 25,302     | 25,302     | 35,846          | A+/A1                                      | 27,317          | A+/A1                                      |
| <b>Sukuk Certificates</b>                       |         |  |            |            |            |                 |  |                 |  |
| WAPDA First Sukuk Certificates                  | 10.4.2  | 22,000                                     | 22,000     | 110,309    | 108,708    | 110,309         | Govt. Guaranteed                           | 114,257         | Govt. Guaranteed                           |
| WAPDA Second Sukuk Certificates                 | 10.4.3  | 346,000                                    | 350,000    | 1,730,000  | 1,750,000  | 1,737,439       | Govt. Guaranteed                           | 1,760,850       | Govt. Guaranteed                           |
| Pakistan International Airlines - at cost       | 10.4.4  | 300,000                                    | 300,000    | 1,500,000  | 1,500,000  | 1,506,000       | Govt. Guaranteed                           | 1,500,000       | Govt. Guaranteed                           |
| Dawood Hercules Chemicals Limited - at cost     |         | -  | 20,000     | -          | 904,800    | -               | -  | 904,800         | Unrated                                    |
| Century Paper and Board Mills Limited - at cost | 10.4.5  | 125,000                                    | 125,000    | 375,000    | 500,000    | 375,000         | A+   | 500,000         | A+   |
| Sui Southern Gas Company Limited - at cost      | 10.4.6  | 200,000                                    | 200,000    | 166,670    | 500,002    | 166,670         | AA   | 500,002         | AA   |
| Engro Fertilizers Limited - at cost             | 10.4.7  | 150,000                                    | 150,000    | 750,000    | 750,000    | 750,000         | AA-  | 750,000         | AA-  |
| Sitara Chemicals Industries Limited - at cost   |         | -  | 29,600     | -          | 37,000     | -               | -  | 37,000          | AA-  |
| Quetta Textile Mills Limited - at cost          | 10.4.8  | 30,000                                     | 30,000     | 135,000    | 145,000    | 135,000         | BBB+                                       | 145,000         | BBB+                                       |
| Arzoo Textile Mills Limited - at cost           | 10.4.9  | 10,000                                     | 10,000     | 50,000     | 50,000     | 50,000          | Unrated                                    | 50,000          | Unrated                                    |
| Sitara Peroxide Limited - at cost               | 10.4.10 | 30,000                                     | 30,000     | 140,625    | 140,625    | 140,625         | Unrated                                    | 140,625         | Unrated                                    |
| Liberty Power Tech Limited - at cost            | 10.4.11 | 18,140,480                                 | 16,680,930 | 1,755,269  | 1,668,093  | 1,755,269       | AA   | 1,668,093       | AA-  |
| Eden Builders Limited - at cost                 | 10.4.12 | 14,400                                     | 14,400     | 40,500     | 58,500     | 40,500          | A  | 58,500          | A  |
| Maple Leaf Cement Factory Limited - at cost     | 10.4.13 | 40,000                                     | 40,000     | 199,660    | 199,830    | 199,660         | D  | 199,830         | BB+  |
| Maple Leaf Cement Factory Limited - at cost     | 10.4.14 | 1,500                                      | 1,500      | 7,500      | 7,500      | 7,500           | D  | 7,500           | BB+  |
| Amreli Steel Limited - at cost                  | 10.4.15 | 50,000                                     | 50,000     | 250,000    | 250,000    | 250,000         | A-   | 250,000         | A-   |
| Kott Addu Power Company Limited - at cost       | 10.4.16 | 100,000                                    | -          | 500,000    | -          | 500,000         | AA+  | -               | -  |
| The Hub Power Company Limited - at cost         | 10.4.17 | 125,000                                    | -          | 750,000    | -          | 750,000         | AA+  | -               | -  |
| <b>GOP Sukuk</b>                                |         |  |            |            |            |                 |  |                 |  |
| Ijarah Sukuk First                              |         | -  | 16,295     | -          | 1,629,500  | -               | Govt. Guaranteed                           | 1,655,898       | Govt. Guaranteed                           |
| Ijarah Sukuk Second                             |         | -  | 20,000     | -          | 2,000,000  | -               | Govt. Guaranteed                           | 2,025,000       | Govt. Guaranteed                           |
| Ijarah Sukuk Third                              | 10.4.18 | 30,000                                     | 30,000     | 3,001,275  | 3,007,924  | 3,014,100       | Govt. Guaranteed                           | 3,045,000       | Govt. Guaranteed                           |
| Ijarah Sukuk Fourth                             | 10.4.19 | 35,950                                     | 35,950     | 3,596,770  | 3,599,256  | 3,614,054       | Govt. Guaranteed                           | 3,595,000       | Govt. Guaranteed                           |
| Ijarah Sukuk Fifth                              | 10.4.20 | 161,050                                    | 129,500    | 16,113,638 | 12,954,969 | 16,193,578      | Govt. Guaranteed                           | 12,982,375      | Govt. Guaranteed                           |
| Ijarah Sukuk Sixth                              | 10.4.20 | 103,000                                    | 92,500     | 10,314,916 | 9,254,908  | 10,398,880      | Govt. Guaranteed                           | 9,305,450       | Govt. Guaranteed                           |
| Ijarah Sukuk Seventh                            | 10.4.21 | 128,893                                    | -          | 12,897,487 | -          | 12,984,681      | Govt. Guaranteed                           | -               | -  |
| Ijarah Sukuk Eighth                             | 10.4.22 | 147,270                                    | -          | 14,728,473 | -          | 14,768,232      | Govt. Guaranteed                           | -               | -  |
| Ijarah Sukuk Ninth                              | 10.4.23 | 150,020                                    | -          | 15,002,746 | -          | 15,002,000      | Govt. Guaranteed                           | -               | -  |
| <b>Units of open-end funds</b>                  |         |  |            |            |            |                 |  |                 |  |
| United Islamic Saving Fund                      |         | 7,960,026                                  | 7,946,976  | 800,000    | 800,000    | 843,545         | AA-  | 807,715         | Unrated                                    |
| IGI Islamic Income Fund                         |         | 1,214,678                                  | 1,099,617  | 100,000    | 100,000    | 123,049         | A+   | 110,521         | Unrated                                    |
| Pak Oman Advantage Islamic Income Fund          |         | 947,592                                    | -          | 50,000     | -          | 49,793          | AA-  | -               | -  |
| HBL Islamic Money Market Fund                   |         | 1,028,774                                  | -          | 100,000    | -          | 105,748         | AA   | -               | -  |
| Atlas Islamic Fund                              |         | 98,894                                     | -          | 50,000     | -          | 50,904          | AA-  | -               | -  |
| <b>Sukuk Bonds</b>                              |         |  |            |            |            |                 |  |                 |  |
| Abu Dhabi Sukuk Bonds                           |         | -  | 5,000,000  | -          | 428,183    | -               | -  | 421,235         | A2   |
| Central Bank of Bahrain International Sukuk     | 10.4.24 | 10,000,000                                 | 10,000,000 | 946,754    | 919,697    | 966,628         | BBB  | 957,269         | A  |
| Islamic Development Bank Trust Services Sukuk   | 10.4.25 | 6,500,000                                  | 6,500,000  | 585,099    | 557,227    | 618,351         | AAA  | 585,750         | AAA  |
| Malaysia Sukuk Global                           | 10.4.26 | 6,750,000                                  | 6,750,000  | 609,191    | 580,579    | 635,062         | A3   | 602,352         | A3   |
| Qatar Islamic Bank Sukuk                        | 10.4.27 | 5,000,000                                  | 5,000,000  | 450,738    | 429,400    | 463,783         | A  | 429,637         | A  |
| Wakala Global Sukuk                             | 10.4.28 | 725,000                                    | -          | 65,203     | -          | 65,618          | A3   | -               | -  |
| <b>Others</b>                                   |         |  |            |            |            |                 |  |                 |  |
| Haleeb Foods Limited - at cost                  | 10.4.29 | 2,786,000                                  | 2,786,000  | 122,222    | 122,222    | 122,222         | Unrated                                    | 122,222         | Unrated                                    |
| S.W.I.F.T. SCRL - at cost                       |         | 5  | 5          | 897        | 897        | 897             | Unrated                                    | 897             | Unrated                                    |
|   |         |  |            | 88,919,915 | 45,986,851 | 89,546,812      | 46,406,656                                 |                 |  |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

- 10.4.1 The nominal value of these shares is Rs. 5 each.
- 10.4.2 The paid up value of these sukuks is Rs. 5,000 per certificate. The return on these Sukuks - WAPDA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 35 basis points. These sukuks will mature in 2012. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.
- 10.4.3 The paid up value of these sukuks is Rs. 5,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates is six monthly Karachi inter-bank offer rate minus 25 basis points. These sukuks will mature in 2017.
- 10.4.4 The paid up value of these sukuks is Rs. 5,000 per certificate. The return on Sukuk - PIA is on a six monthly Karachi inter-bank offer rate plus a fixed credit spread of 175 basis points. These bonds will mature in 2014. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee.
- 10.4.5 The paid up value of these sukuks is Rs. 3,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 135 basis points.
- 10.4.6 The paid up value of these sukuks is Rs. 833 per certificate. The tenure of these certificates is 5 years, with principal receivable in 2009-2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 80 basis points.
- 10.4.7 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 8 years, with principal receivable in 2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.8 The paid up value of these sukuks is Rs. 4,500 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2010-2015. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 150 basis points.
- 10.4.9 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 6 years, with principal receivable in 2009-2014. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 200 basis points from year 1 to 2 and plus 175 basis points from year 3 to year 6.
- 10.4.10 The paid up value of these sukuks is Rs. 4,687 per certificate. The tenure of these certificates is 8 years, with principal receivable in 2012-2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.11 The paid up value of these sukuks is Rs. 96.76 per certificate. The tenure of these certificates is 12 years, with principal receivable in 2011-2021. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 300 basis points.
- 10.4.12 The paid up value of these sukuks is Rs. 2,813 per certificate. The tenure of these certificates is 5.5 years, with principal receivable in 2010-2014. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 230 basis points.
- 10.4.13 The paid up value of these sukuks is Rs. 4,996 per certificate. The tenure of these certificates is 11 years, with principal receivable in 2010-2018. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.14 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 2 years, with principal receivable in March 2012. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 100 basis points.
- 10.4.15 The paid up value of these sukuks is Rs. 5,000 per certificate. The tenure of these certificates is 7 years, with principal receivable in 2012-2016. The profit is calculated on the basis of three months Karachi inter-bank offer rate plus 250 basis points.



# Notes to and forming part of the Consolidated Financial Statements

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- 10.4.16 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in June 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.17 The paid up value of these sukuku is Rs. 5,000 per certificate. The tenure of these certificates is 6 month, with principal receivable in February 2012. The profit is calculated on the basis of six months Karachi inter-bank offer rate plus 110 basis points.
- 10.4.18 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2012.
- 10.4.19 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills minus 5 basis points. These certificates will mature in 2012.
- 10.4.20 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The tenure of these certificates is 3 years, with principal receivable in 2013. The profit is calculated on the basis of six month weighted average yield of six month market T-Bills.
- 10.4.21 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014 .
- 10.4.22 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014.
- 10.4.23 The paid up value of these sukuku is Rs. 100,000 per certificate. These sukuk certificates are backed by the Government of Pakistan's sovereign guarantee. The profit rate on these certificates comprises of six months weighted average yield of six months market T-Bills plus zero basis points. These certificates will mature in 2014.
- 10.4.24 The paid up value of these sukuku is US\$ 1 and will mature in 2014. The profit coupon is 6.25 percent per annum. These securities are held through a custodian.
- 10.4.25 The paid up value of these sukuku is US\$ 1 and will mature in 2014. The profit coupon is 3.17 percent per annum. These securities are held through a custodian.
- 10.4.26 The paid up value of these sukuku is US\$ 1 and will mature in 2015. The profit coupon is 3.93 percent per annum. These securities are held through a custodian.
- 10.4.27 The paid up value of these sukuku is US\$ 1 and will mature in 2015. The profit coupon is 3.86 percent per annum. These securities are held through a custodian.
- 10.4.28 The paid up value of these sukuku is US\$ 1 and will mature in 2016. The profit coupon is 2.99 percent per annum
- 10.4.29 The Chief Executive of Haleeb Foods Limited is Mr. Mohammad Imran Amjad.

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For the year ended December 31, 2011

## 10.5 Held to maturity securities

| Name of the investee entity                    | Note   | 2011                   | 2010    | 2011                | 2010             |
|--|--------|------------------------|---------|---------------------|------------------|
|  |        | Number of Certificates |         | Cost Rupees in '000 |                  |
| Sukuk Certificates                             |        |                        |         |                     |                  |
| WAPDA First Sukuk Certificates (Sukuk - WAPDA) | 10.5.1 | 230,000                | 230,000 | 1,150,000           | 1,150,000        |
|  |        |                        |         | <u>1,150,000</u>    | <u>1,150,000</u> |

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

## 10.6 Associates (listed)

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

| Name of the investee entities                    | 2011        | 2010                                    |                                   | 2011                           | 2010             |
|--|-------------|---|-----------------------------------|--------------------------------|------------------|
|  |             | Number of shares / certificates / units | Percentage of effective holding % | Carrying amount Rupees in '000 |                  |
| <b>Ordinary Shares of closed end mutual fund</b> |             |   |                                   |                                |                  |
| Al-Meezan Mutual Fund Limited                    | -           | 39,477,157                              | 20.07                             | -                              | 469,765          |
| <b>Certificate of closed end fund</b>            |             |   |                                   |                                |                  |
| Meezan Balanced Fund                             | 19,956,292  | 19,956,292                              | 15.52                             | 220,700                        | 235,047          |
| <b>Units of open end funds</b>                   |             |   |                                   |                                |                  |
| Meezan Islamic Fund - note 10.6.1                | 11,429,200  | 13,559,708                              | N/A                               | 455,911                        | 637,577          |
| Meezan Islamic Income Fund                       | 6,123,869   | 21,303,120                              | N/A                               | 310,848                        | 1,073,464        |
| Meezan Sovereign Fund                            | 151,464,119 | -                                       | N/A                               | 7,623,189                      | -                |
| Meezan Capital Protected Fund - I                | -           | 5,918,774                               | N/A                               | -                              | 324,704          |
| Meezan Capital Protected Fund - II               | 4,000,000   | -                                       | N/A                               | 206,560                        | -                |
| Al-Meezan Mutual Fund                            | 46,637,048  | -                                       | N/A                               | 476,769                        | -                |
| Meezan Cash Fund                                 | -           | 1,116,239                               | N/A                               | -                              | 55,879           |
| Meezan Tahaffuz Pension Equity Fund              | 500,000     | -                                       | N/A                               | 65,560                         | -                |
| Meezan Tahaffuz Pension Debt Fund                | 500,000     | -                                       | N/A                               | 75,035                         | -                |
| Meezan Tahaffuz Pension Money Market Fund        | 500,000     | -                                       | N/A                               | 75,565                         | -                |
|  |             |   |                                   | <u>9,510,137</u>               | <u>2,796,436</u> |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

10.6.2 The above associates are incorporated in Pakistan.

10.6.3 Investments in listed associates have a market value of Rs. 9,243 million (2010: Rs. 2,570 million).

## 10.7 Associates (unlisted)

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

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

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

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

10.7.3 The above associates are incorporated in Pakistan.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 10.8 Provision for diminution in value of investments and impairment

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

### 10.8.1 Provision in respect of type and segment

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

## 10.9 Deficit on revaluation of held for trading securities

|                                   |   |   |
|-----------------------------------|---|---|
| Deficit on listed shares / Sukuks | - | 4 |
|-----------------------------------|---|---|



# Notes to and forming part of the Consolidated Financial Statements

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## 10.10 Associates accounted for under the equity method of accounting

|   | Plexus<br>(Private)<br>Limited | Faysal<br>Management<br>Services<br>(Private)<br>Limited | Blue Water<br>(Private)<br>Limited | Falcon<br>Greenwood<br>(Private)<br>Limited | Al Meezan<br>Mutual<br>Fund | Meezan<br>Islamic<br>Fund | Meezan<br>Balanced<br>Fund | Meezan<br>Capital<br>Protected<br>Fund - I | Meezan<br>Capital<br>Protected<br>Fund - II | Meezan<br>Tahaffuz<br>Pension Equity<br>Sub Fund | Meezan<br>Tahaffuz<br>Pension Debt<br>Sub Fund | Meezan<br>Tahaffuz<br>Pension<br>Money Market<br>Sub Fund | Meezan<br>Islamic<br>Income<br>Fund | Meezan<br>Cash<br>Fund | Meezan<br>Sovereign<br>Fund | Total     |
|---|--------------------------------|--|------------------------------------|---|-----------------------------|---------------------------|----------------------------|--|---|--|--|---|-------------------------------------|------------------------|-----------------------------|-----------|
|   | Rupees in '000                 |  |                                    |   |                             |                           |                            |  |   |  |  |   |                                     |                        |                             |           |
| Opening - January 01, 2010                          | 4,571                          | 61,807   | 15,549                             | 23,832                                      | 292,028                     | 584,885                   | 206,295                    | 284,309                                    | -   | -  | -  | -   | 1,322,315                           | 169,861                | -                           | 2,965,452 |
| Investment / (redemption)<br>during the year        | -                              | -  | -                                  | -   | 108,617                     | (20,800)                  | 1,796                      | 4,715                                      | -   | -  | -  | -   | (241,579)                           | (124,382)              | -                           | (271,633) |
| Share of profit in associates                       | (25)                           | (5,707)  | 355                                | (234)                                       | 73,847                      | 73,492                    | 35,830                     | 35,680                                     | -   | -  | -  | -   | 73,787                              | 10,400                 | -                           | 297,425   |
| Taxation  | -                              | (883)  | -                                  | -   | -                           | -                         | -                          | -  | -   | -  | -  | -   | -                                   | -                      | -                           | (883)     |
| Dividend received                                   | -                              | -  | -                                  | -   | (4,727)                     | -                         | (8,874)                    | -  | -   | -  | -  | -   | (81,059)                            | -                      | -                           | (94,660)  |
| Provision for diminution in<br>value of investments | (4,546)                        | -  | -                                  | -   | -                           | -                         | -                          | -  | -   | -  | -  | -   | -                                   | -                      | -                           | (4,546)   |
| Closing - December 31, 2010                         | -                              | 55,217   | 15,904                             | 23,598                                      | 469,765                     | 637,577                   | 235,047                    | 324,704                                    | -   | -  | -  | -   | 1,073,464                           | 55,879                 | -                           | 2,891,155 |
| Investment / (redemption)<br>during the year        | -                              | -  | -                                  | -   | 222,333                     | (158,850)                 | 12,038                     | (324,704)                                  | 200,000                                     | 81,500   | 75,015   | 74,955  | (756,761)                           | (55,879)               | 7,630,617                   | 7,000,264 |
| Share of profit / (loss)<br>in associates           | -                              | 5,221  | 409                                | (135)                                       | (126,270)                   | (22,816)                  | 8,538                      | -  | 6,560                                       | (15,940)   | 20   | 610   | 60,303                              | -                      | 605,083                     | 521,582   |
| Taxation  | -                              | (50)   | -                                  | -   | -                           | -                         | -                          | -  | -   | -  | -  | -   | -                                   | -                      | -                           | (50)      |
| Dividend received                                   | -                              | -  | -                                  | -   | (89,059)                    | -                         | (34,923)                   | -  | -   | -  | -  | -   | (66,158)                            | -                      | (612,511)                   | (802,651) |
| Closing - December 31, 2011                         | -                              | 60,388   | 16,313                             | 23,463                                      | 476,769                     | 455,911                   | 220,700                    | -  | 206,560                                     | 65,560   | 75,035   | 75,565  | 310,848                             | -                      | 7,623,189                   | 9,610,300 |

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## 11. FINANCINGS

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 11.2 Net investment in Ijarah

|  | 2011                    |   |                 |             | 2010                    |   |                 |             |
|--|-------------------------|---|-----------------|-------------|-------------------------|---|-----------------|-------------|
|  | Not later than one year | Later than one and less than five years | Over five years | Total       | Not later than one year | Later than one and less than five years | Over five years | Total       |
|  | Rupees in '000          |   |                 |             |                         |   |                 |             |
| Ijarah rentals receivable                | 989,745                 | 2,259,445                               | -               | 3,249,190   | 1,504,997               | 2,264,784                               | 12,847          | 3,782,628   |
| Residual value                           | 411,643                 | 230,343                                 | -               | 641,986     | 1,097,254               | 1,027,304                               | 4,737           | 2,129,295   |
| Minimum ijarah payments                  | 1,401,388               | 2,489,788                               | -               | 3,891,176   | 2,602,251               | 3,292,088                               | 17,584          | 5,911,923   |
| Profits for future periods               | (320,387)               | (1,183,611)                             | -               | (1,503,998) | (915,280)               | (797,868)                               | (5,647)         | (1,718,795) |
| Present value of minimum Ijarah payments | 1,081,001               | 1,306,177                               | -               | 2,387,178   | 1,686,971               | 2,494,220                               | 11,937          | 4,193,128   |

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

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

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

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

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

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

|                            | 2011           |          |           |                    |                |
|----------------------------|----------------|----------|-----------|--------------------|----------------|
| Category of classification | Domestic       | Overseas | Total     | Provision required | Provision held |
|                            | Rupees in '000 |          |           |                    |                |
| Substandard                | 112,976        | -        | 112,976   | 21,646             | 21,646         |
| Doubtful                   | 464,072        | -        | 464,072   | 222,784            | 222,784        |
| Loss                       | 4,070,744      | -        | 4,070,744 | 3,815,390          | 3,815,390      |
|                            | 4,647,792      | -        | 4,647,792 | 4,059,820          | 4,059,820      |
|                            | 2010           |          |           |                    |                |
| Category of classification | Domestic       | Overseas | Total     | Provision required | Provision held |
|                            | Rupees in '000 |          |           |                    |                |
| Substandard                | 282,831        | -        | 282,831   | 50,731             | 50,731         |
| Doubtful                   | 755,177        | -        | 755,177   | 287,478            | 287,478        |
| Loss                       | 3,280,315      | -        | 3,280,315 | 2,774,688          | 2,774,688      |
|                            | 4,318,323      | -        | 4,318,323 | 3,112,897          | 3,112,897      |



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For the year ended December 31, 2011



## 11.12 Particulars of provision against non-performing financings:

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

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

MBL has also maintained a general provision of Rs. 1,175 million against financings made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of the Prudential Regulations.

**11.12.2** In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, MBL has availed the benefit of FSV against the non-performing financings. Had the benefit of FSV not been availed by MBL, the specific provision against non-performing financings would have been higher and consequently profit before taxation and financings (net of provisions) as at December 31, 2011 would have been lower by approximately Rs 68.001 million. The accumulated benefit availed as at December 31, 2011 amounts to Rs 230.611 million. The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders. In 2011, the SBP has issued another circular which increases the benefit of FSV. MBL has not taken the impact / benefit of this circular in these financial statements.

## 11.12.3 Particulars of provision against non-performing financings:

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

## 11.13 Particular of write offs

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

# Notes to and forming part of the Consolidated Financial Statements

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

In term of sub-section(3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2011 is given as Annexure - 1.

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

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

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

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

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

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

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

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

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

## 11.14.3 Loans and financings to executives and a director of MBL

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

## 12.2 Property and equipment

|  | 2011                  |                         |                         |                       |                         |                         |  |                        |
|--|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|--|------------------------|
|  | COST                  |                         |                         | DEPRECIATION          |                         |                         |  |                        |
|  | As at January 1, 2011 | Additions / (disposals) | As at December 31, 2011 | As at January 1, 2011 | Charge / (on disposals) | As at December 31, 2011 | Net book value as at December 31, 2011 | Rate of depreciation % |
|  | Rupees in '000        |                         |                         |                       |                         |                         |  |                        |
| Leasehold Land                             | 544,440               | 71,549                  | 615,989                 | -                     | -                       | -                       | 615,989                                | -                      |
| Buildings on leasehold land                | 152,336               | 875,185                 | 1,027,521               | 34,750                | 32,480                  | 67,230                  | 960,291                                | 5                      |
| Leasehold improvements                     | 1,020,881             | 446,073 (104,242)       | 1,362,712               | 285,353               | 112,246 (55,600)        | 341,999                 | 1,020,713                              | 10                     |
| Furniture and fixtures                     | 175,444               | 74,521 (12,090)         | 237,875                 | 65,438                | 21,647 (6,275)          | 80,810                  | 157,065                                | 10                     |
| Electrical, office and computer equipments | 1,026,031             | 482,797 (21,819)        | 1,487,009               | 630,621               | 202,187 (20,581)        | 812,227                 | 674,782                                | 10, 20 & 33            |
| Vehicles                                   | 384,068               | 135,383 (53,197)        | 466,254                 | 156,701               | 77,476 (36,390)         | 197,787                 | 268,467                                | 20                     |
|  | 3,303,200             | 2,085,508 (191,348)     | 5,197,360               | 1,172,863             | 446,036 (118,846)       | 1,500,053               | 3,697,307                              |                        |

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|  | 2010                  |                         |                         |                       |                         |                         |  | Rate of depreciation % |
|--|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|--|------------------------|
|  | COST                  |                         |                         | DEPRECIATION          |                         |                         | Net book value as at December 31, 2010 |                        |
|  | As at January 1, 2010 | Additions / (disposals) | As at December 31, 2010 | As at January 1, 2010 | Charge / (on disposals) | As at December 31, 2010 |  |                        |
|  | Rupees in '000        |                         |                         |                       |                         |                         |  |                        |
| Leasehold Land                             | 544,440               | -                       | 544,440                 | -                     | -                       | -                       | 544,440                                | -                      |
| Buildings on lease hold land               | 139,125               | 13,211                  | 152,336                 | 26,650                | 8,100                   | 34,750                  | 117,586                                | 5                      |
| Leasehold improvements                     | 861,336               | 159,545                 | 1,020,881               | 193,550               | 91,803                  | 285,353                 | 735,528                                | 10                     |
| Furniture and fixtures                     | 153,530               | 21,914                  | 175,444                 | 49,137                | 16,301                  | 65,438                  | 110,006                                | 10                     |
| Electrical, office and computer equipments | 862,719               | 168,819 (5,507)         | 1,026,031               | 450,856               | 184,769 (5,004)         | 630,621                 | 395,410                                | 20 and 33              |
| Vehicles                                   | 315,699               | 109,252 (40,883)        | 384,068                 | 120,176               | 65,431 (28,906)         | 156,701                 | 227,367                                | 20                     |
|  | 2,876,849             | 472,741 (46,390)        | 3,303,200               | 840,369               | 366,404 (33,910)        | 1,172,863               | 2,130,337                              |                        |

## 12.3 Property and equipment - Movement of net book value

|   | Leasehold<br>land | Buildings on<br>leasehold<br>land | Leasehold<br>improvements | Furniture<br>and fixtures | Electrical,<br>office and<br>computer<br>equipments | Vehicles  | Total     |
|---|-------------------|-----------------------------------|---------------------------|---------------------------|---|-----------|-----------|
|   | Rupees in '000    |                                   |                           |                           |   |           |           |
| At January 1, 2010                        |                   |                                   |                           |                           |   |           |           |
| Cost                                      | 544,440           | 139,125                           | 861,336                   | 153,530                   | 862,719   | 315,699   | 2,876,849 |
| Accumulated depreciation                  | -                 | (26,650)                          | (193,550)                 | (49,137)                  | (450,856)   | (120,176) | (840,369) |
| Net book value                            | 544,440           | 112,475                           | 667,786                   | 104,393                   | 411,863   | 195,523   | 2,036,480 |
| Year ended<br>December 31, 2010           |                   |                                   |                           |                           |   |           |           |
| Additions                                 | -                 | 13,211                            | 159,545                   | 21,914                    | 168,819   | 109,252   | 472,741   |
| Net book value of disposals               | -                 | -                                 | -                         | -                         | (503)   | (11,977)  | (12,480)  |
| Depreciation charge                       | -                 | (8,100)                           | (91,803)                  | (16,301)                  | (184,769)   | (65,431)  | (366,404) |
| Net book value as<br>at December 31, 2010 | 544,440           | 117,586                           | 735,528                   | 110,006                   | 395,410   | 227,367   | 2,130,337 |
| Year ended<br>December 31, 2011           |                   |                                   |                           |                           |   |           |           |
| Additions                                 | 71,549            | 875,185                           | 446,073                   | 74,521                    | 482,797   | 135,383   | 2,085,508 |
| Net book value of disposals               | -                 | -                                 | (48,642)                  | (5,815)                   | (1,238)   | (16,807)  | (72,502)  |
| Depreciation charge                       | -                 | (32,480)                          | (112,246)                 | (21,647)                  | (202,187)   | (77,476)  | (446,036) |
| Net book value as<br>at December 31, 2011 | 615,989           | 960,291                           | 1,020,713                 | 157,065                   | 674,782   | 268,467   | 3,697,307 |

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



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

| Description  | Cost   | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal   | Particulars of purchaser               |
|--|--------|--------------------------|----------------|---------------|--------------------|--|
| Rupees in '000   |        |                          |                |               |                    |  |
| Items having book value in aggregate more than Rs. 250,000 or cost more than Rs. 1,000,000 |        |                          |                |               |                    |  |
| <b>Vehicles</b>  |        |                          |                |               |                    |  |
| Suzuki Cultus  | 749    | 226                      | 523            | -             | Ex-Gratia          | Mr.Anwar Raza (Employee - Late)        |
| Honda City   | 1,319  | 440                      | 879            | 1,100         | Insurance Claim    | Pak Kuwait Takaful Co.                 |
| Toyota Corolla   | 1,529  | 153                      | 1,376          | 1,529         | Insurance Claim    | Pak Kuwait Takaful Co.                 |
| Honda City   | 900    | 162                      | 738            | 266           | MBL Staff Policy   | Mr.Ameen Khowaja (Employee)            |
| Honda Civic  | 1,712  | 998                      | 714            | 1,041         | MBL Staff Policy   | Mr. Azhar Ali Naqvi (Ex-Employee)      |
| Honda Civic  | 1,506  | 1,456                    | 50             | 522           | MBL Staff Policy   | Mr.Arshad Majeed (Employee)            |
| Suzuki Alto  | 586    | 273                      | 313            | 607           | Negotiation        | Mr.Sohail Rashid                       |
| Suzuki Cultus  | 586    | 303                      | 283            | 608           | Negotiation        | Hira Foundation School                 |
| Suzuki Cultus  | 647    | 345                      | 302            | 660           | Negotiation        | Mr.Ali Samad Awan                      |
| Suzuki Cultus  | 748    | 262                      | 486            | 710           | Negotiation        | Mr.Ali Sarmad Awan                     |
| Suzuki Cultus  | 772    | 386                      | 386            | 707           | Negotiation        | Mr.Khurram Shahzad                     |
| Suzuki Cultus  | 772    | 463                      | 309            | 617           | Negotiation        | Mr.M Farruk                            |
| Suzuki Cultus  | 836    | 446                      | 390            | 650           | Negotiation        | Mr.M Shoaib Shamim                     |
| Suzuki Cultus  | 560    | 560                      | -              | 603           | Negotiation        | Mr.Muhammad Zafar                      |
| Suzuki Cultus  | 712    | 332                      | 380            | 642           | Negotiation        | Mr.Muhammad Zafar                      |
| Suzuki Cultus  | 586    | 322                      | 264            | 633           | Negotiation        | Mr.Nadeem Ahmed                        |
| Suzuki Cultus  | 772    | 373                      | 399            | 702           | Negotiation        | Mr.Nadeem Ahmed                        |
| Suzuki Cultus  | 647    | 313                      | 334            | 646           | Negotiation        | Mr.Nadeem Ahmed                        |
| Suzuki Cultus  | 784    | 274                      | 510            | 741           | Negotiation        | Mr.Noman Hasan Khan                    |
| Suzuki Cultus  | 772    | 450                      | 322            | 656           | Negotiation        | Mr.Wasim Mirza                         |
| Suzuki Cultus  | 579    | 328                      | 251            | 646           | Negotiation        | Mr.Zahid Qadri                         |
| Suzuki Cultus  | 579    | 328                      | 251            | 606           | Negotiation        | Mr.Zulfiqar A Khan                     |
| Toyota Corolla   | 1,004  | 669                      | 335            | 1,118         | Negotiation        | Mr.Khursheed Anwar                     |
| Suzuki Cultus  | 553    | 240                      | 313            | 400           | Insurance Claim    | Pak Kuwait Takaful Co.                 |
| Honda Citi   | 885    | 885                      | -              | 266           | MBL Staff Policy   | Mr.Mashkoor Hassan Siddiqui (Employee) |
| Honda Citi   | 901    | 901                      | -              | 286           | MBL Staff Policy   | Mr.Mashkoor Khan A.G (Employee)        |
| Honda Citi   | 883    | 883                      | -              | 275           | MBL Staff Policy   | Mr.Mateen Mahmood (Employee)           |
| Honda Citi   | 886    | 886                      | -              | 266           | MBL Staff Policy   | Mr.Moazzam Saeed (Employee)            |
| Honda Citi   | 884    | 884                      | -              | 266           | MBL Staff Policy   | Mr.Nasir Mehmood (Employee)            |
| Honda Citi   | 883    | 883                      | -              | 265           | MBL Staff Policy   | Mr.Omer Waqas (Employee)               |
| Honda Citi   | 886    | 886                      | -              | 266           | MBL Staff Policy   | Mr.Tasweer Hassan (Employee)           |
| Honda Civic  | 841    | 840                      | 1              | 252           | MBL Staff Policy   | Mr.Naeem Sarfaraz (Employee)           |
| Suzuki Alto  | 518    | 328                      | 190            | 273           | MBL Staff Policy   | Mr.Aneeq Ejaz Qureshi (Employee)       |
| Suzuki Alto  | 470    | 306                      | 164            | 284           | MBL Staff Policy   | Mr.Azfar Alam (Employee)               |
| Suzuki Alto  | 480    | 352                      | 128            | 242           | MBL Staff Policy   | Mr.Fayyaz Ahmed (Employee)             |
| Suzuki Alto  | 470    | 306                      | 164            | 273           | MBL Staff Policy   | Mr.Imran Khalid Shami (Employee)       |
| Suzuki Alto  | 469    | 469                      | -              | 141           | MBL Staff Policy   | Mr.Muhammad Mohsin (Employee)          |
| Suzuki Alto  | 470    | 305                      | 165            | 267           | MBL Staff Policy   | Mr.Muhammad Zahid (Employee)           |
| Suzuki Alto  | 470    | 313                      | 157            | 273           | MBL Staff Policy   | Mr.Nasir Mehmood (Employee)            |
| Suzuki Alto  | 470    | 298                      | 172            | 273           | MBL Staff Policy   | Mr.Syed M. Fahad (Employee)            |
| Suzuki Alto  | 477    | 304                      | 173            | 273           | MBL Staff Policy   | Mr.Syed Zakaria Farooq (Employee)      |
| Suzuki Alto  | 470    | 274                      | 196            | 284           | MBL Staff Policy   | Mr.Tariq Mehmood Ansari (Employee)     |
| Suzuki Alto  | 468    | 242                      | 226            | 284           | MBL Staff Policy   | Mr.Zubair Ahmed (Employee)             |
| Suzuki Cultus  | 586    | 371                      | 215            | 351           | MBL Staff Policy   | Mr.Ather Hassan (Employee)             |
| Suzuki Cultus  | 556    | 435                      | 121            | 246           | MBL Staff Policy   | Mr.Kamal Hussain (Employee)            |
| Suzuki Cultus  | 560    | 560                      | -              | 168           | MBL Staff Policy   | Mr.Kazim Raza (Employee)               |
| Suzuki Cultus  | 560    | 560                      | -              | 168           | MBL Staff Policy   | Mr.Malik Asgar Khan (Employee)         |
| Suzuki Cultus  | 560    | 560                      | -              | 168           | MBL Staff Policy   | Mr.Nawaz (Employee)                    |
| Suzuki Cultus  | 567    | 529                      | 38             | 201           | MBL Staff Policy   | Mr.Omer Salim Ullah (Employee)         |
| Suzuki Cultus  | 470    | 298                      | 172            | 273           | MBL Staff Policy   | Mr.Shahzad Charania (Employee)         |
| Suzuki Cultus  | 522    | 305                      | 217            | 284           | MBL Staff Policy   | Mr.Wise ur Rehman (Employee)           |
| Toyota Corolla   | 1,004  | 656                      | 348            | 1,050         | Negotiation        | Mr.Zaheer Baber (Ex-Employee)          |
| Suzuki Alto  | 486    | 300                      | 187            | 186           | AMIML Staff Policy | Mr.Asim Zafar (Employee)               |
| Suzuki Cultus  | 570    | 456                      | 114            | 114           | AMIML Staff Policy | Mr.Anas Rehan (Employee)               |
| Suzuki Cultus  | 570    | 428                      | 143            | 143           | AMIML Staff Policy | Mr.Talha Anwer (Employee)              |
| Toyota Corolla   | 879    | 879                      | -              | 1,105         | Negotiation        | Mr.Zahaid                              |
| Toyota Corolla   | 893    | 759                      | 134            | 134           | AMIML Staff Policy | Mr.Faisal Hafeez (Employee)            |
|  | 41,274 | 27,743                   | 13,533         | 26,010        |                    |  |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

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

## 12.4 Intangible assets

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

## 12.5 Intangible assets - Movement of net book value

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 13. DEFERRED TAX ASSET

| Note   | 2011           | 2010      |
|--|----------------|-----------|
|  | Rupees in '000 |           |
| Debit / (credit) balances arising on account of:   |                |           |
| <b>Profit and loss account</b>   |                |           |
| Provision against non-performing financings  | 1,210,464      | 966,539   |
| Excess of accounting book values over tax written down values of owned assets            | (501,237)      | (160,927) |
| Excess of Ijarah financings over tax written down values of Ijarah assets                | -              | (505,619) |
| Provision for diminution / impairment in value of investments                            | 129,284        | 48,698    |
| Excess of tax written down values over accounting net book values of investments         | (162,509)      | (100,429) |
| Provision against amounts due from financial institutions                                | -              | 33,075    |
| Income not accrued due to non-culmination of financings                                  | 60,254         | 57,357    |
| Provision against non-banking assets acquired in satisfaction of claims and other assets | 71,845         | 12,961    |
|  | 808,101        | 351,655   |
| <b>Equity</b>  |                |           |
| Surplus on revaluation of available for sale investments                                 | (169,219)      | (109,909) |
|  | 638,882        | 241,746   |

## 14. OTHER ASSETS INCLUDING INVENTORIES

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

- 14.1 This includes prepaid rent and prepaid insurance aggregating Rs. 187.939 million (2010: Rs. 193.679 million) and Rs. 146.019 million (2010: Rs. 139.543 million) respectively which are being amortized over a period of one year.
- 14.2 This represents goods purchased for Murabaha, Istisna and Tijarah which remained unsold at the balance sheet date.
- 14.3 This is net off loss on forward foreign exchange contracts of Rs. 347 million (2010: Rs. 233 million).
- 14.4 The market value of the non-banking assets acquired in satisfaction of claims is Rs. 374 million. (2010: Rs. 248.64 million).

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

## 15. BILLS PAYABLE

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

## 16. DUE TO FINANCIAL INSTITUTIONS

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

### 16.1 Particulars of due to financial institutions with respect to currencies

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

### 16.2 Details of due to financial institutions secured / unsecured

#### Secured

Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme

16.2.1 6,030,013 4,678,884

#### Unsecured

Overdrawn nostro accounts

Other Musharakah / Modarabas

|           |           |
|-----------|-----------|
| 5,947     | 83,803    |
| 3,200,000 | 1,066,609 |
| 3,205,947 | 1,150,412 |
| 9,235,960 | 5,829,296 |



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

|  | Note | 2011             | 2010             |
|--|------|------------------|------------------|
|  |      | Rupees in '000   |                  |
| <b>16.3 Particulars of due to financial institutions</b> |      |                  |                  |
| Short - term   |      | 9,235,960        | 5,829,296        |
| Long - term  |      | -                | -                |
|  |      | <u>9,235,960</u> | <u>5,829,296</u> |

## 17. DEPOSITS AND OTHER ACCOUNTS

### Customers

|                                       |                    |                    |
|---------------------------------------|--------------------|--------------------|
| - Fixed deposits                      | 58,552,349         | 44,517,241         |
| - Savings deposits                    | 62,661,327         | 48,406,231         |
| - Current accounts - non-remunerative | 47,587,663         | 36,970,326         |
| - Margin                              | 682,891            | 649,920            |
|                                       | <u>169,484,230</u> | <u>130,543,718</u> |

### Financial institutions

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| - Remunerative deposits     | 532,758            | 510,374            |
| - Non-remunerative deposits | 5,498              | 13,904             |
|                             | <u>538,256</u>     | <u>524,278</u>     |
|                             | <u>170,022,486</u> | <u>131,067,996</u> |

### 17.1 Particulars of deposits

#### In

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| - local currency     | 162,510,248        | 124,385,437        |
| - foreign currencies | 7,512,238          | 6,682,559          |
|                      | <u>170,022,486</u> | <u>131,067,996</u> |

## 18. OTHER LIABILITIES

### Return on deposits and other dues

|   |      |                  |                  |
|---|------|------------------|------------------|
| - payable in local currency                           | 18.1 | 1,164,333        | 998,399          |
| - payable in foreign currencies                       |      | 15,431           | 11,034           |
| Unearned commission                                   |      | 16,158           | 13,940           |
| Accrued expenses                                      |      | 1,189,230        | 632,726          |
| Current taxation (provision less payments)            |      | 706,731          | 908,716          |
| Unclaimed dividends                                   |      | 1,821            | 851              |
| Payable to defined benefit plan                       |      | 65,969           | 53,153           |
| Provision against off-balance sheet obligations       | 18.2 | 33,169           | 39,282           |
| Security deposits against Ijarah                      |      | 1,955,609        | 2,220,005        |
| Other staff benefits                                  | 18.3 | 99,865           | 62,571           |
| Charity payable                                       | 18.4 | 5,604            | 78,406           |
| Amount due to investor in funds consolidated by Group |      | -                | 2,608,821        |
| Others  |      | 105,575          | 91,333           |
|   |      | <u>5,359,495</u> | <u>7,719,237</u> |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

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

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

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

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

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

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

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

- 18.4.2 The balance in Charity's saving account is Rs. 12 million (2010: Rs. 10 million).

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

## 18.5 Share Based Payments

### Senior Executive Bonus Incentive Scheme (SEBIS)

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 19. SHARE CAPITAL

### 19.1 Authorized capital

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

### 19.2 Issued, subscribed and paid-up capital

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

## 20. RESERVES

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

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

## 21. NON CONTROLLING INTEREST

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

## 22. SURPLUS ON REVALUATION OF INVESTMENTS

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

## 23. CONTINGENCIES AND COMMITMENTS

### 23.1 Direct credit substitutes

|                     |               |                |
|---------------------|---------------|----------------|
| Guarantees favoring |               |                |
| - Government        | <u>62,587</u> | <u>375,630</u> |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

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

## 23.10 WAPDA Sukuk - MIIF

MIIF's management company AMIML had invested in WAPDA Sukuk certificates aggregating to Rs. 180 Million through purchase from secondary market which were subsequently sold in the secondary market. In 2009, it was claimed by WAPDA that the Sukuku purchased by the Fund and later sold in secondary market were not genuine, as these were fraudulently entered in the records of WAPDA.

The fund and the Company along with other defendants had filed a suit in the High Court of Sindh against WAPDA. AMIML and its legal counsel are of the view that the fund was the legitimate and bonafide holder of the Sukuk certificates from the date of acquisition till such time these were sold in the normal course of business.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

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

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

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

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

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

Note 2011 2010  
Rupees in '000

## 26. CAPITAL GAIN ON SALE OF INVESTMENTS

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Shares / Units of Mutual Funds   | 268,737        | 132,383        |
| Government sukuks / certificates | 119,343        | 5,502          |
|                                  | <u>388,080</u> | <u>137,885</u> |

## 27. OTHER INCOME

|  |               |               |
|--|---------------|---------------|
| Gain on termination of Ijarah financings                 | 30,699        | 17,012        |
| Gain on termination of Diminishing Musharakah financings | 6,058         | 8,768         |
| (Loss) / gain on sale of operating fixed assets - net    | (30,148)      | 19,216        |
| Sales load   | 16,746        | 5,529         |
| Others   | 11,869        | 11,386        |
|  | <u>35,224</u> | <u>61,911</u> |

## 28. ADMINISTRATIVE EXPENSES

|  |           |                  |                  |
|--|-----------|------------------|------------------|
| Salaries, allowances, etc.                             | 36 & 28.1 | 2,786,233        | 2,014,970        |
| Charge for defined benefit plan                        |           | 67,278           | 54,052           |
| Contribution to defined contribution plan              | 35        | 78,737           | 60,898           |
| Non- executive directors' fees                         | 36        | 14,257           | 4,432            |
| Rent, electricity, taxes, insurance, etc.              |           | 898,523          | 722,586          |
| Communication  |           | 205,494          | 177,781          |
| Stationery and printing                                |           | 139,518          | 108,440          |
| Entertainment  |           | 23,471           | 14,979           |
| Office supplies  |           | 64,005           | 47,138           |
| Local transportation and car running                   |           | 133,233          | 97,856           |
| Fees, subscription and clearing charges                |           | 135,453          | 108,582          |
| Security charges including cash transportation charges |           | 190,071          | 159,513          |
| Repairs and maintenance                                |           | 216,328          | 124,680          |
| Hardware and software maintenance                      |           | 108,478          | 66,866           |
| Advertisement and publicity                            |           | 106,932          | 42,665           |
| Depreciation   | 12.2      | 446,036          | 366,404          |
| Amortization   | 12.4      | 40,525           | 34,685           |
| Travelling   |           | 40,003           | 31,434           |
| Brokerage, commission and bank charges                 |           | 60,811           | 60,657           |
| Legal and professional charges                         | 28.2      | 15,239           | 19,634           |
| Auditors' remuneration                                 | 28.3      | 8,883            | 7,461            |
| Workers Welfare Fund                                   | 28.4      | 72,789           | 85,206           |
| Takaful and tracker expenses on Ijarah                 |           | 222,627          | 197,698          |
| Donations  |           | -                | 5,926            |
| Others   |           | 89,151           | 22,850           |
|  |           | <u>6,164,075</u> | <u>4,637,393</u> |

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

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

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

## 30. TAXATION

|  |                  |                  |
|--|------------------|------------------|
| Current  |                  |                  |
| - for the year   | 1,750,029        | 1,060,692        |
| - for prior years  | (218,205)        | (332,808)        |
|  | <u>1,531,824</u> | <u>727,884</u>   |
| Deferred   |                  |                  |
| - for the year   | (255,595)        | (311,662)        |
| - for prior years  | (200,851)        | 127,278          |
|  | <u>(456,446)</u> | <u>(184,384)</u> |
|  | <u>1,075,378</u> | <u>543,500</u>   |
| <b>30.1 Relationship between tax expense and accounting profit</b> |                  |                  |
| <b>Profit before taxation</b>                                      | <u>4,121,435</u> | <u>2,443,282</u> |
| Effects of:  |                  |                  |
| - Tax calculated at the applicable rate of 35%                     | 1,442,502        | 855,149          |
| - Income chargeable to tax at reduced rate                         | (190,988)        | (99,629)         |
| - Tax effect of exempt income                                      | (102,663)        | (41,886)         |
| - Prior year reversals   | (419,056)        | (205,530)        |
| - Permanent differences  | 127,100          | 28,108           |
| - Others   | 218,483          | 7,288            |
| Tax charge for the year  | <u>1,075,378</u> | <u>543,500</u>   |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

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

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

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

## 34. DEFINED BENEFIT PLAN OF MBL

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

|      |  | Principal actuarial assumptions |          |
|------|--|---------------------------------|----------|
|      |  | 2011                            | 2010     |
| 34.1 | Discount rate                          | 12.5% p.a                       | 13% p.a  |
|      | Expected rate of increase in salaries  | 12.5% p.a                       | 13% p.a  |
|      | Expected rate of return on investments | 12.5% p.a                       | 13% p.a  |
|      | Normal retirement age                  | 60 years                        | 60 years |

The disclosures made in notes 34.1 to 34.13 are based on the information included in the actuarial valuation report of MBL as of December 31, 2011.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

| 34.10 Actuarial loss to be recognized   | Note  | 2011<br>Rupees in '000 | 2010     |
|---|-------|------------------------|----------|
| Corridor Limit  |       |                        |          |
| The limits of the corridor as at January 1  |       |                        |          |
| 10% of obligations  |       | 17,553                 | 12,263   |
| 10% of plan assets  |       | 11,556                 | 6,979    |
| Which works out to  |       | 17,553                 | 12,263   |
| Unrecognized actuarial losses as at January 1   |       | (7,823)                | (12,492) |
| Deficit / (Excess)  |       | 9,730                  | (229)    |
| Average expected remaining working lives in years   |       | 6                      | 7        |
| Actuarial loss to be recognized   |       | -                      | (33)     |
| 34.11 Unrecognized actuarial losses   |       |                        |          |
| Unrecognized actuarial losses at January 1  |       | (7,823)                | (12,493) |
| Actuarial (loss) / gain on obligations  | 34.7  | (1,640)                | 3,755    |
| Actuarial gain on assets  | 34.8  | 2,101                  | 882      |
| Subtotal  |       | (7,362)                | (7,856)  |
| Actuarial loss recognised   | 34.10 | -                      | 33       |
| Unrecognized actuarial losses as at December 31   |       | (7,362)                | (7,823)  |
| 34.12 Amount for the current year and previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows: |       |                        |          |

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

## 34.13 Expected gratuity expense for the next year

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

## 35. DEFINED CONTRIBUTION PLAN

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 36. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

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

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

**36.2** The CEO, the Executive Director and certain executives are provided with free use of MBL cars.

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments in listed securities, except investments categorized as 'held to maturity', investments in subsidiary and associates is based on quoted market prices. The value of unquoted equity investments is reduced, if required, on the basis of break-up value of those investments based on the latest available audited financial statements as disclosed in notes 10.7.

The fair value of financings, other assets, other liabilities and deposits and other accounts cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of financings has been calculated in accordance with MBL's accounting policy as stated in note 6.3.3. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values as these assets and liabilities are either short term in nature or in the case of financings and deposits are frequently repriced.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 38. SEGMENT ANALYSIS

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

|                        | Corporate<br>finance | Trading &<br>sales | Retail<br>banking | Commercial<br>banking | Payment &<br>settlement | Agency<br>services | Assets<br>management | Retail<br>brokerage | Others | Total        |
|------------------------|----------------------|--------------------|-------------------|-----------------------|-------------------------|--------------------|----------------------|---------------------|--------|--------------|
| Rupees in '000         |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| <b>2011</b>            |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| Total income           | 1,349,065            | 11,540,075         | 2,125,872         | 5,514,099             | -                       | 7,796              | 254,836              | -                   | -      | 20,791,743   |
| Total expenses         | (755,501)            | (8,714,545)        | (1,723,856)       | (6,235,779)           | -                       | (2,729)            | (313,276)            | -                   | -      | (17,745,686) |
| Net income / (loss)    | 593,564              | 2,825,530          | 402,016           | (721,680)             | -                       | 5,067              | (58,440)             | -                   | -      | 3,046,057    |
| Segment Assets (Gross) | 8,093,065            | 121,413,327        | 10,339,355        | 60,704,647            | -                       | -                  | 1,185,328            | -                   | -      | 201,735,722  |
| Segment Non            |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| Performing Loans       | 257,000              | 110,341            | 941,311           | 3,706,481             | -                       | -                  | -                    | -                   | -      | 5,015,133    |
| Segment Provision      | 257,000              | 110,341            | 1,018,776         | 4,302,359             | -                       | -                  | -                    | -                   | -      | 5,688,476    |
| Segment Liabilities    | -                    | 9,235,960          | 172,312,476       | 5,215,607             | -                       | -                  | 135,943              | -                   | -      | 186,899,986  |
| Segment Return on      |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| Assets (ROA) (%)       | 7.33%                | 2.33%              | 3.89%             | -1.19%                | -                       | -                  | -4.93%               | -                   | -      | -            |
| Segment Cost of        |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| funds (%)              | 5.75%                | 5.75%              | 5.75%             | 5.75%                 | -                       | -                  | 5.75%                | -                   | -      | -            |
| <b>2010</b>            |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| Total income           | 1,163,201            | 7,292,477          | 2,011,997         | 4,291,025             | -                       | 6,879              | 503,689              | -                   | -      | 15,269,268   |
| Total expenses         | (707,126)            | (6,114,527)        | (1,524,476)       | (4,767,248)           | -                       | (2,614)            | (253,495)            | -                   | -      | (13,369,486) |
| Net income / (loss)    | 456,075              | 1,177,950          | 487,521           | (476,223)             | -                       | 4,265              | 250,194              | -                   | -      | 1,899,782    |
| Segment Assets (Gross) | 6,980,143            | 90,973,438         | 11,215,421        | 45,583,423            | -                       | -                  | 4,057,586            | -                   | -      | 158,810,011  |
| Segment Non            |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| Performing Loans       | 249,830              | -                  | 777,528           | 3,540,795             | -                       | -                  | -                    | -                   | -      | 4,568,153    |
| Segment Provision      | 189,830              | -                  | 483,215           | 3,266,931             | -                       | -                  | -                    | -                   | -      | 3,939,976    |
| Segment Liabilities    | -                    | 7,596,666          | 131,070,328       | 5,005,440             | -                       | -                  | 2,711,465            | -                   | -      | 146,383,899  |
| Segment Return on      |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| Assets (ROA) (%)       | 6.53%                | 1.29%              | 4.35%             | -1.04%                | -                       | -                  | 6.17%                | -                   | -      | -            |
| Segment Cost           |                      |                    |                   |                       |                         |                    |                      |                     |        |              |
| of funds (%)           | 5.69%                | 5.69%              | 5.69%             | 5.69%                 | -                       | -                  | 5.69%                | -                   | -      | -            |

## 39. RELATED PARTY TRANSACTIONS

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

**39.2** A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out at arm's length basis i.e. transactions with related parties were on normal terms and conditions as applicable for other unrelated customers of MBL.

### 39.3 Key management personnel

- President and Chief Executive Officer
- Chief Operating Officer



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



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

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

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

## Balances

|                                 |         |         |         |         |   |   |        |        |
|---------------------------------|---------|---------|---------|---------|---|---|--------|--------|
| Dividend Receivable             | 128,017 | -       | 128,017 | -       | - | - | -      | -      |
| Payable to defined benefit plan | 65,969  | 53,153  | -       | -       | - | - | 65,969 | 53,153 |
| Profit payable on borrowing     | -       | 37,000  | -       | 37,000  | - | - | -      | -      |
| Letters of credit (unfunded)    | 664     | 664     | 664     | 664     | - | - | -      | -      |
| Prepaid Takaful                 | 122,575 | 117,527 | 122,575 | 117,527 | - | - | -      | -      |

## Transactions, income and expenses

|   |         |         |         |         |       |       |        |        |
|---|---------|---------|---------|---------|-------|-------|--------|--------|
| Profit earned on financing                                | -       | 21,173  | -       | 21,173  | -     | -     | -      | -      |
| Return on deposits / borrowing expensed                   | 85,065  | 105,822 | 40,129  | 69,598  | 1,824 | 1,294 | 43,112 | 34,930 |
| Takaful insurance on assets including consumer financings | 239,312 | 206,003 | 239,312 | 206,003 | -     | -     | -      | -      |
| Dividend income earned                                    | 725,442 | 168,231 | 725,442 | 168,231 | -     | -     | -      | -      |
| Capital gain - net  | 76,411  | 6,802   | 76,411  | 6,802   | -     | -     | -      | -      |
| Charge for defined benefit plan                           | 65,969  | 53,153  | -       | -       | -     | -     | 67,278 | 54,052 |
| Contribution to defined contribution plan                 | 78,737  | 60,898  | -       | -       | -     | -     | 78,737 | 60,898 |
| Fees expensed   | 325     | 686     | 325     | 686     | -     | -     | -      | -      |
| Fees earned   | 2,861   | 815     | 2,861   | 815     | -     | -     | -      | -      |
| Commission earned on letters of credit and guarantee      | -       | 161     | -       | 161     | -     | -     | -      | -      |

## 39.5 ASSOCIATES - KEY INFORMATION

|                   | 2011           |           |            |
|-------------------|----------------|-----------|------------|
|                   | Mutual Funds   | Others    | Total      |
|                   | Rupees in '000 |           |            |
| Assets            | 28,140,389     | 1,715,543 | 29,855,932 |
| Liabilities       | 132,966        | 1,190,412 | 1,323,378  |
| Operating revenue | 3,210,778      | (62,459)  | 3,148,319  |
| Profit after tax  | 2,715,904      | 77,278    | 2,793,191  |

## 40. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

### 40.1 Scope of applications

The Basel II Framework has been applied to the Group for capital adequacy assessment purpose. Non controlling interest of Rs. 413.756 million has been taken into account under Tier I capital for consolidation purposes. Non controlling interest is that part of the net results of operations and of net assets of the subsidiary attributable to interest which is not owned by the Group.

### 40.2 Capital structure

The Group's regulatory capital is divided into three tiers as follows:

#### Tier I Capital

Tier I capital includes fully paid up capital, reserve for bonus issue, general reserves as per the consolidated financial statements, net un-appropriated profits, etc after deductions for book value of goodwill and intangibles.

#### Tier II Capital

Tier II capital includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves).

Further, 50% of significant minority interest in financial entities has been deducted from both Tier I and Tier II Capital as per regulatory requirements.

#### Tier III Capital

Tier III Capital has also been prescribed by the SBP for managing market risk; however the Group does not have any Tier III capital.

The required capital is achieved by the Group through:

- (a) Adequate level of Paid up Capital;
- (b) Adequate risk profile of asset mix;
- (c) Ensuring better recovery management; and
- (d) Maintaining acceptable profit margins.

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The Group was well capitalized and met all capital requirements to which it was subject throughout the year.

|  | Note | 2011<br>Basel II<br>Rupees in '000 | 2010<br>Basel II |
|--|------|------------------------------------|------------------|
| <b>Tier I Capital</b>  |      |                                    |                  |
| Fully Paid-up capital/Capital deposited with SBP   |      | 8,029,933                          | 6,982,550        |
| General Reserves as disclosed on the Consolidated Balance Sheet  |      | 2,082,635                          | 1,404,326        |
| Unappropriated profits (Net of Losses)   |      | 3,851,734                          | 3,359,541        |
| Non Controlling interest   |      | 413,756                            | 339,827          |
| Less: Book value of goodwill and intangibles   |      | (167,082)                          | (139,937)        |
| Other deductions   |      | (238,385)                          | (234,883)        |
| Total eligible Tier I capital  |      | 13,972,591                         | 11,711,424       |
| <b>Tier II Capital</b>   |      |                                    |                  |
| General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets *              |      | 1,235,465                          | 738,249          |
| Revaluation Reserves up to 45% under Basel II  |      | 108,360                            | 152,941          |
| Less : Other deductions  |      | (238,385)                          | (234,883)        |
| Total eligible Tier II capital   |      | 1,105,440                          | 656,307          |
| <b>Eligible Tier III capital</b>   |      | -                                  | -                |
| Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I capital) |      | 1,105,440                          | 656,307          |
| <b>Total Regulatory Capital Base</b>   |      | 15,078,031                         | 12,367,731       |

\*Under the standardised approach to credit risk, general provisions can be included in Tier-II capital subject to the limit of 1.25% of the risk weighted assets.

## 40.3 Capital Adequacy

The main objective of the capital management is to improve financial position and strengthen financial position of the Group to support the growth in business, provide protection to depositors, and enhance shareholder's value.

The Group's Board and the management is committed to provide sound balance between depositors liability and shareholders funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor about safety and security of their funds and at same time provide impetus to the management to invest their depositor's funds into profitable venture without compromising the risk profile of the Group. The capital requirement of the Group has been determined based on the projected growth plan to achieve in next 3 to 5 years in all areas of business operation. Further, it also takes into account road map for capital enhancement as directed by the State Bank of Pakistan vide its various circulars issued from time to time.

In addition, fixed and variable capital adequacy ratio has been taken into consideration in determining level of capital requirement by the Group.

Fixed CAR has been kept at a higher mandatory number as done in the past and same has been planned for the future to provide safe cushion. In addition, variable CAR has also been taken into account in planning capital need of the Group.

The Group prepares Annual Budget and Three Year Plan for purpose of the growth map and future direction. Bottom up approach is used to prepare annual budget and detailed deliberations are held while preparing Three Year Plan. The growth prospects takes into consideration prevailing economic and political factors in Pakistan and abroad.

In implementing current capital requirements SBP also requires Banks to maintain a prescribed Capital Adequacy Ratio (CAR) of 10% as of December 31, 2011. As such the Group's CAR stood at 15.26% at the year ended December 31, 2011.

The Group calculates capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel II and as per guidelines issued by the State Bank of Pakistan from time to time in this regard.

Major credit risk in respect of on and off-balance sheet exposures are mainly claims on banks, corporates, retail customers, residential mortgages, quoted and unquoted associated undertakings, GOP Ijarah Sukuks and Corporate Sukuks (other than foreign sukuks). Market risk exposures are in foreign sukuks, equity and foreign exchange positions. The Group potential risk exposures shall remain in these exposure types.

Sensitivity and stress testing of the Group under different risk factors namely yield rate, forced sale value of collateral, non-performing financings and foreign exchange rate depicts that the Group's capital adequacy ratio is above the regulatory requirements.

The Group has taken into account credit risk, market risk and operational risk when planning its assets.

The Group's sponsors are well reputed financial institution in Pakistan and abroad. The Group has never faced in the past any difficulty in raising capital whenever it required. The shareholders and the Board in its last meeting held on October 2008 has reaffirmed in principal commitment to meet the increased Capital requirement of the Bank over next five years.



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The Group's economic capital requirement assessment based on economic capital model is same as determined by the Group's management as it has taken into account all factors which are required to be considered in an economic model.

## Credit Risk

### Portfolios subject to standardized approach

Portfolios subject to on-balance sheet exposure  
(Simple approach)

|                      | Capital requirements |           | Risk weighted assets |            |
|----------------------|----------------------|-----------|----------------------|------------|
|                      | 2011                 | 2010      | 2011                 | 2010       |
|                      | Rupees in '000       |           |                      |            |
| Banks                | 137,554              | 415,612   | 1,375,537            | 4,156,118  |
| Corporate            | 4,705,420            | 4,114,238 | 47,054,196           | 41,142,375 |
| Retail               | 278,665              | 313,904   | 2,786,649            | 3,139,044  |
| Residential mortgage | 97,761               | 102,758   | 977,613              | 1,027,575  |
| Past due loans       | 57,709               | 135,338   | 577,092              | 1,353,378  |
| Investments          | 1,069,013            | 270,756   | 10,690,125           | 2,707,563  |
| Fixed assets         | 385,434              | 295,596   | 3,854,338            | 2,955,960  |
| All other assets     | 452,667              | 1,578,525 | 4,526,666            | 15,785,247 |

Portfolios subject to off-balance sheet exposure  
- non market related (Simple approach)

|           |         |         |           |           |
|-----------|---------|---------|-----------|-----------|
| Banks     | 6,698   | 7,166   | 66,978    | 71,663    |
| Corporate | 498,901 | 605,138 | 4,989,010 | 6,051,381 |
| Retail    | 45,203  | 28,926  | 452,028   | 289,263   |
| Others    | 5,082   | 4,298   | 50,821    | 42,984    |

Portfolios subject to off-balance sheet exposures  
- market related (Current exposure method)

|           |        |        |         |         |
|-----------|--------|--------|---------|---------|
| Banks     | 46,270 | 7,135  | 462,697 | 71,346  |
| Customers | 18,774 | 10,611 | 187,739 | 106,106 |

## Market Risk

Capital Requirement for portfolios subject to  
Standardized Approach

|                       |         |         |           |           |
|-----------------------|---------|---------|-----------|-----------|
| Interest rate risk    | 357,699 | 331,733 | 3,576,990 | 3,317,331 |
| Equity position risk  | 444,574 | 418,423 | 4,445,741 | 4,184,232 |
| Foreign exchange risk | 14,056  | 62,755  | 140,562   | 627,553   |

## Operational Risk

|  |           |         |            |           |
|--|-----------|---------|------------|-----------|
| Capital Requirement for operational risk | 1,262,241 | 909,386 | 12,622,413 | 9,093,863 |
|--|-----------|---------|------------|-----------|

|              |                  |                  |                   |                   |
|--------------|------------------|------------------|-------------------|-------------------|
| <b>TOTAL</b> | <b>9,883,721</b> | <b>9,612,298</b> | <b>98,837,195</b> | <b>96,122,982</b> |
|--------------|------------------|------------------|-------------------|-------------------|

## Capital Adequacy Ratio

|  | 2011           | 2010       |
|--|----------------|------------|
|  | Rupees in '000 |            |
| Total eligible regulatory capital held | 15,078,031     | 12,367,731 |
| Total Risk Weighted Assets             | 98,837,195     | 96,122,982 |
| Capital Adequacy Ratio (a) / (b)       | 15.26%         | 12.87%     |

## 41. RISK MANAGEMENT

The wide variety of the Group's business activities require the Group to identify, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Group's strategy and growth. The Group manages the risk through a framework of risk management, policies and principles, organizational structures and risk measurement and monitoring processes and techniques that are closely aligned with the business activities of the Group.

### Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The risk management committee regularly reviews the Group's risk profile.
- The Group has set up objectives and policies to manage the risks that arise in connection with the Group's activities. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group.
- The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organisational structure of the Group.
- The risk management function is independent of the Group's operation.

### Risk management organization

The Risk Management Committee comprises of two non-executive directors and one executive director. One of the non-executive directors of the Group chairs the risk management committee.

The Committee is responsible to review risk profile, policies, tools and techniques so as to ensure effective management of risks of the Group.

The management has delegated some of its tasks of risk management to sub- committees which are as follows:

#### Name of the committee

#### Chaired by

Credit Committee  
Asset and Liability Management Committee (ALCO)  
Internal Controls and Operational Risk Management Committee

President & CEO  
President & CEO  
COO

The Credit Committee is responsible for approving and monitoring financing transactions and also ensuring the overall quality of the financing portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Group's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, the Banking Companies Ordinance, 1962, and any other regulatory requirement.

The ALCO is responsible for monitoring, measuring and managing market risk and liquidity risk and ensuring compliance with internal and regulatory requirement.

The Internal Controls and Operational Risk Management Committee ensures adequate internal controls and systems are in place there by ensuring operating efficiency.

The Board has constituted a full functional Audit Committee. The Audit Committee works to ensure that the best practices of the Code of Corporate Governance are being complied by the Group and that the policies and procedures are being complied with.

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The Group's risk management, compliance, internal audit and legal departments support the risk management function. The role of the risk management department is to quantify the risk and ensure the quality and integrity of the Group's risk-related data. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

## 41.1 Credit risk

The Group manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. The Group also ensures to diversify its portfolio into different business segments, products and sectors. Group takes into account the risk mitigating effect of the eligible collaterals for the calculation of capital requirement for credit risk. Use of credit risk mitigation (CRM) resulted in the total credit risk weighted amount of Rs. 78,051 million.

Thus, use of CRM resulted in capital adequacy ratio of 15.26% of the Group.

### 40.1.1 Segmental information

#### 40.1.1.1 Segment by class of business

|  | 2011                  |       |                   |       |                                  |       |
|--|-----------------------|-------|-------------------|-------|----------------------------------|-------|
|  | Financings<br>(Gross) |       | Deposits          |       | Contingencies and<br>commitments |       |
|  | Rupees<br>in '000     | %     | Rupees<br>in '000 | %     | Rupees<br>in '000                | %     |
| Agriculture, forestry, hunting and fishing | 10,482                | 0.02  | 1,642,645         | 0.97  | 2,108,409                        | 1.85  |
| Textile                                    | 15,454,919            | 24.04 | 3,251,376         | 1.91  | 16,424,205                       | 14.40 |
| Automobile and transportation equipment    | 1,263,587             | 1.97  | 188,576           | 0.11  | 929,328                          | 0.81  |
| Financial institutions                     | -                     | 0.00  | 487,720           | 0.29  | 54,200,963                       | 47.53 |
| Insurance                                  | -                     | 0.00  | 75,932            | 0.04  | 81,590                           | 0.07  |
| Electronics and electrical appliances      | 1,201,150             | 1.87  | 599,022           | 0.35  | 883,660                          | 0.77  |
| Construction                               | 20,879                | 0.03  | 1,036,889         | 0.61  | 902,308                          | 0.79  |
| Power (electricity), gas and water         | 4,570,465             | 7.11  | 145,730           | 0.09  | 4,598,632                        | 4.03  |
| Exports / imports                          | 503,784               | 0.78  | 987,579           | 0.58  | 906,398                          | 0.79  |
| Transport, storage and communication       | -                     | 0.00  | 887,040           | 0.52  | 476,923                          | 0.42  |
| Chemical and pharmaceuticals               | 6,783,383             | 10.55 | 897,799           | 0.53  | 6,747,046                        | 5.92  |
| Sugar                                      | 2,188,871             | 3.41  | 130,480           | 0.08  | 1,252,616                        | 1.10  |
| Footwear and leather garments              | 882,545               | 1.37  | 373,297           | 0.22  | 1,388,972                        | 1.22  |
| Wholesale and retail trade                 | 16,643                | 0.03  | 13,695,854        | 8.06  | 517,035                          | 0.45  |
| Cement                                     | 3,653,156             | 5.68  | 19,182            | 0.01  | 2,193,568                        | 1.92  |
| Services                                   | -                     | 0.00  | 16,949,833        | 9.97  | 417,636                          | 0.37  |
| Individuals                                | 6,576,420             | 10.23 | 116,952,964       | 68.79 | 4,034,891                        | 3.54  |
| Others                                     | 21,150,436            | 32.91 | 11,700,568        | 6.87  | 15,975,776                       | 14.02 |
|  | 64,276,720            | 100   | 170,022,486       | 100   | 114,039,956                      | 100   |

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## 41.1.1.2 Segment by sector

|                     | 2011               |     |                |     |                               |     |
|---------------------|--------------------|-----|----------------|-----|-------------------------------|-----|
|                     | Financings (Gross) |     | Deposits       |     | Contingencies and commitments |     |
|                     | Rupees in '000     | %   | Rupees in '000 | %   | Rupees in '000                | %   |
| Public / Government | 2,706,306          | 2   | 897,727        | 1   | -                             | -   |
| Private             | 61,570,414         | 98  | 169,124,759    | 99  | 114,039,956                   | 100 |
|                     | 64,276,720         | 100 | 170,022,486    | 100 | 114,039,956                   | 100 |

## 41.1.1.3 Details of non-performing financings and specific provisions by class of business segment:

|  | 2011                  |                          | 2010                  |                          |
|--|-----------------------|--------------------------|-----------------------|--------------------------|
|  | Classified financings | Specific provisions held | Classified financings | Specific provisions held |
|  | Rupees in '000        |                          |                       |                          |
| Agriculture, forestry, hunting and fishing | -                     | -                        | 13,576                | 11,076                   |
| Textile                                    | 1,859,675             | 1,782,783                | 1,746,863             | 1,487,171                |
| Chemical and pharmaceuticals               | 52,175                | 19,873                   | 11,021                | 1,304                    |
| Cement                                     | 196,742               | 158,742                  | 238,167               | 77,857                   |
| Sugar                                      | 140,376               | 140,376                  | 150,000               | 150,000                  |
| Footwear and leather garments              | 103,403               | 80,903                   | -                     | -                        |
| Automobile and transportation equipment    | 561,209               | 561,210                  | 593,223               | 591,140                  |
| Electronics and electrical appliances      | -                     | -                        | -                     | -                        |
| Construction                               | -                     | -                        | -                     | -                        |
| Power (electricity), gas, water            | -                     | -                        | -                     | -                        |
| Wholesale and retail trade                 | -                     | -                        | -                     | -                        |
| Exports / imports                          | -                     | -                        | -                     | -                        |
| Transport, storage and communication       | -                     | -                        | -                     | -                        |
| Financial institutions                     | -                     | -                        | -                     | -                        |
| Insurance                                  | -                     | -                        | -                     | -                        |
| Services                                   | -                     | -                        | -                     | -                        |
| Individuals                                | 301,540               | 165,790                  | 351,423               | 156,769                  |
| Others                                     | 1,432,672             | 1,150,143                | 1,214,050             | 637,580                  |
|  | 4,647,792             | 4,059,820                | 4,318,323             | 3,112,897                |

## 41.1.1.4 Details of non-performing financings and specific provisions by sector:

|                     | 2011                  |                          | 2010                  |                          |
|---------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                     | Classified financings | Specific provisions held | Classified financings | Specific provisions held |
|                     | Rupees in '000        |                          |                       |                          |
| Public / Government | -                     | -                        | -                     | -                        |
| Private             | 4,647,792             | 4,059,820                | 4,318,323             | 3,112,897                |
|                     | 4,647,792             | 4,059,820                | 4,318,323             | 3,112,897                |



# Notes to and forming part of the Consolidated Financial Statements

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## 41.1.1.5 Geographical segment analysis

|                                     | 2011                   |                       |                     |                               |
|-------------------------------------|------------------------|-----------------------|---------------------|-------------------------------|
|                                     | Profit before taxation | Total assets employed | Net assets employed | Contingencies and commitments |
|                                     | Rupees in '000         |                       |                     |                               |
| Pakistan                            | 4,121,435              | 201,735,722           | 14,835,736          | 114,039,956                   |
| Asia Pacific (including South Asia) | -                      | -                     | -                   | -                             |
| Europe                              | -                      | -                     | -                   | -                             |
| United States of America and Canada | -                      | -                     | -                   | -                             |
| Middle East                         | -                      | -                     | -                   | -                             |
| Others                              | -                      | -                     | -                   | -                             |
|                                     | 4,121,435              | 201,735,722           | 14,835,736          | 114,039,956                   |

## 41.1.2 Credit Risk-General Disclosures Basel II Specific

The Group is operating under standardized approach of Basel II for credit risk. As such risk weights for the credit risk related assets (on-balance sheet & off-balance sheet-market and non market related exposures) are assigned on the basis of standardized approach.

The Group is committed to further strengthen its risk management framework that shall enable the Group to move ahead for adopting Foundation IRB Approach of Basel II; meanwhile none of our assets class is subject to the Foundation IRB or Advanced IRB approaches.

### 41.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach & supervisory risk weights in the IRB Approach-Basel II Specific

The Group used ratings assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAIs) for the purpose of risk weighing its exposures against corporate and banks. Use of both JCR-VIS and PACRA as the rating agencies is due to the fact that corporate and banks are rated by either of these two agencies.

In case of foreign currency exposures against the bank, ratings assigned by S&P, Fitch and Moody's have been applied. In case of exposure against banks, some banks have multiple ratings but those ratings do not result in mapping with different risk weights. The alignment of the alphanumerical scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel II requirements.

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## Types of Exposure and ECAI's used

| 2011      |         |       |                          |
|-----------|---------|-------|--------------------------|
| Exposures | JCR-VIS | PACRA | OTHER (Specify)          |
| Corporate | ✓       | ✓     | –                        |
| Banks     | ✓       | ✓     | S & P, FITCH and MOODY'S |

Credit Exposure subject to standardized approach

| Rupees in '000<br>2011 |                 |                    |               |            |
|------------------------|-----------------|--------------------|---------------|------------|
| Exposures              | Rating Category | Amount Outstanding | Deduction CRM | Net amount |
| Banks                  | 0%              | -                  | -             | -          |
|                        | 20%             | 4,032,002          | -             | 4,032,002  |
|                        | 50%             | 40,667             | -             | 40,667     |
|                        | 100%            | -                  | -             | -          |
|                        | 150%            | -                  | -             | -          |
|                        | Unrated         | -                  | -             | -          |
| Corporate              | 0%              | -                  | -             | -          |
|                        | 20%             | 11,703,370         | -             | 11,703,370 |
|                        | 50%             | 6,296,096          | -             | 6,296,096  |
|                        | 100%            | 531,066            | -             | 531,066    |
|                        | 150%            | -                  | -             | -          |
|                        | Unrated         | 40,607,146         | 933,999       | 39,673,147 |
| Retail                 | 0%              | -                  | -             | -          |
|                        | 20%             | -                  | -             | -          |
|                        | 50%             | -                  | -             | -          |
|                        | 75%             | 5,127,818          | 1,412,286     | 3,715,532  |
| Total                  |                 | 68,338,165         | 2,346,285     | 65,991,880 |

CRM= Credit Risk Mitigation

### 41.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised and IRB Approaches-Basel II Specific

The Group obtains capital relief for its both on-balance and off-balance sheet non-market related exposures by using simple approach for credit risk mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits, cash margins, Certificate of Islamic Investment, Shares, Units of Mutual Funds, Monthly Mudarabah Certificates and saving accounts.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Group in terms of change in their valuation due to changes in the market condition.

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The credit equivalent amount of an off-balance sheet market related foreign exchange contracts are determined by using the current exposure (mark to market) method.

The Group takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 59,138 million is subject to the CRM of Rs. 934 million whereas a claim on retail portfolio of Rs. 5,128 million is subject to CRM of Rs. 1,412 million. The total benefit of Rs. 2,346 million was availed through CRM against total on-balance sheet exposure of Rs. 196,596 million.

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs. 51,099 million is subject to the CRM of Rs. 1,451 million whereas a claim on retail portfolio of Rs. 1,342 million is subject to CRM of Rs. 97 million. Total benefit of Rs. 1,549 million was availed by the Group through CRM against total off-balance sheet, non-market related exposure of Rs. 53,787 million.

In year 2011, total amount of cash collateral used for CRM purposes was Rs. 3,895 million as against amount of Rs. 4,772 million in year 2010. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

## 41.2 Equity position risk in the Banking book-Basel II Specific

The Group makes investment in variety of products / instruments mainly for the following objectives:

- Investment for supporting business activities of the Group and generating revenue in short term or relatively short term tenure.
- Strategic Investments which are made with the intention to hold it for a longer term and are marked as such at the time of investment.

### Classification of equity investments

The Group classifies its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Held for trading
- Investments - Available for sale
- Investments in associates

Some of the above mentioned investments are listed and traded in public through stock exchanges, while other investments are unlisted.

### Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

The investments in listed equity securities are stated at the revalued amount using market rates prevailing on the balance sheet date, while the investment in unquoted securities are stated at lower of cost or break-up value.

The unrealized surplus / (deficit) arising on revaluation of the held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the consolidated balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the consolidated profit and loss account when actually realised upon disposal.

The carrying value of equity investments are assessed at each balance sheet date for impairment. If the circumstances exist which indicate that the carrying value of these investments may not be recoverable, the carrying value is written down to its estimated recoverable amount. The resulting impairment loss is charged to consolidated profit and loss account.

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## Composition of equity investments

|                               | Held for trading | Available for Sale | Subsidiary and Associates |
|-------------------------------|------------------|--------------------|---------------------------|
|                               | Rupees in '000   |                    |                           |
| Equity investments - quoted   | -                | 2,023,973          | 9,510,137                 |
| Equity investments - unquoted | -                | 123,119            | 125,164                   |
| Total value                   | -                | 2,147,092          | 9,635,301                 |

During the year unrealised gain of Rs. Nil (2010: Rs. 28.665 million) has been taken to consolidated profit and loss account on held for trading investments.

## 41.3 Market risk

The Group is exposed to market risk which is the risk that the value of on and off balance sheet exposures of the Group will be adversely affected by movements in market rates or prices such as benchmark rates, profit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital. The Market risk charge consists of two components. The general risk describes value changes due to general market movements, while the specific risk has issuer related causes. The capital charge for market risk has been calculated by using Standardized Approach.

The Group applies Stress Testing and Value at Risk (VaR) techniques as risk management tool; Stress testing enables the Group to estimate changes in the value of the portfolio, if exposed to various risk factors. VaR quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

### 41.3.1 Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Group does not take any currency exposure except to the extent of statutory net open position prescribed by SBP. Foreign exchange open and mismatch position are controlled through close monitoring and are marked to market on a daily basis to contain forward exposures.

|                             | 2011           |             |                         |                               |
|-----------------------------|----------------|-------------|-------------------------|-------------------------------|
|                             | Assets         | Liabilities | Off-balance sheet items | Net foreign currency exposure |
|                             | Rupees in '000 |             |                         |                               |
| Pakistan Rupees             | 196,683,095    | 168,138,671 | (3,837,417)             | 24,707,007                    |
| United States Dollars       | 4,601,930      | 16,156,791  | 3,804,474               | (7,750,387)                   |
| Great Britain Pounds        | 213,225        | 1,138,528   | -                       | (925,303)                     |
| Japanese Yen                | 1,977          | -           | -                       | 1,977                         |
| Euro                        | 186,267        | 1,465,704   | 37,120                  | (1,242,317)                   |
| Singapore Dollars           | 4,998          | -           | -                       | 4,998                         |
| Australian Dollars          | 8,234          | -           | (6,393)                 | 1,841                         |
| Canadian Dollars            | 10,809         | 292         | -                       | 10,517                        |
| United Arab Emirates Dirham | 1,487          | -           | -                       | 1,487                         |
| Swiss Francs                | 11,719         | -           | (9,552)                 | 2,167                         |
| Saudi Riyal                 | 11,981         | -           | 11,768                  | 23,749                        |
|                             | 201,735,722    | 186,899,986 | -                       | 14,835,736                    |

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## 41.3.2 Equity position risk

Equity position risk is the risk arising from taking long positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities.

Counter parties limits, as also fixed by SBP, are considered to limit risk concentration. The Group invests in those equities which are Shariah compliant as advised by the Shariah advisor.

## 41.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

IRRBB includes all material yield risk positions of the Group taking into account all relevant repricing and maturity data. It includes current balances and contractual yield rates. The Group understands that its financings shall be repriced as per their respective contracts.

The Group estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks.



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## 41.3.4 Mismatch of yield rate sensitive assets and liabilities

|   |       | 2011                  |                          |                          |                               |                         |                         |                         |                          |                   |  |
|---|-------|-----------------------|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------|--|
| Effective<br>yield<br>rate<br>%                     | Total | Exposed to yield risk |                          |                          |                               |                         |                         |                         |                          |                   | Non-yield<br>bearing<br>financial<br>Instruments |
|   |       | Upto 1<br>Month       | Over 1<br>to 3<br>Months | Over 3<br>to 6<br>Months | Over 6<br>Months to<br>1 Year | Over 1<br>to 2<br>Years | Over 2<br>to 3<br>Years | Over 3<br>to 5<br>Years | Over 5<br>to 10<br>Years | Above 10<br>Years |  |
| Rupees in '000                                      |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| On-balance sheet financial instruments              |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Assets  |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Cash and balances with treasury banks               | -     | 16,641,195            | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 16,641,195                                       |
| Balances with other banks                           | 0.02  | 2,354,908             | 431                      | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 2,354,477  |
| Due from financial institutions                     | 12.73 | 4,065,406             | 4,052,406                | 2,000                    | 3,000                         | 8,000                   | -                       | -                       | -                        | -                 | -  |
| Investments   | 13.14 | 99,949,542            | -                        | 23,857,011               | 61,039,774                    | -                       | -                       | 1,535,835               | 1,119,147                | -                 | 12,397,775                                       |
| Financings  | 13.29 | 58,955,585            | 8,467,266                | 15,798,282               | 20,294,545                    | 10,580,194              | 651,442                 | 1,085,057               | 1,380,198                | 249               | 698,352  |
| Other assets including trade inventories            | -     | 14,418,667            | 3,207,677                | 3,621,111                | 4,385,020                     | 8,088                   | -                       | -                       | -                        | -                 | 3,196,771  |
|   |       | 196,385,303           | 15,727,780               | 43,278,404               | 85,722,339                    | 10,596,282              | 651,442                 | 2,620,892               | 2,499,345                | 249               | 35,288,570                                       |
| Liabilities   |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Bills payable                                       | -     | 2,282,045             | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 2,282,045  |
| Due to financial institutions                       | 10.23 | 9,235,960             | 3,468,885                | 2,831,289                | 2,935,786                     | -                       | -                       | -                       | -                        | -                 | -  |
| Deposits and other accounts                         | 5.57  | 170,022,486           | 121,746,436              | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 48,276,050                                       |
| Sub-ordinated loans                                 | -     | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Liabilities against assets subject to finance lease | -     | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Other liabilities                                   | -     | 4,497,862             | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 4,497,862  |
|   |       | 186,038,353           | 125,215,321              | 2,831,289                | 2,935,786                     | -                       | -                       | -                       | -                        | -                 | 55,055,957                                       |
| On-balance sheet gap                                |       | 10,346,950            | (109,487,541)            | 40,447,115               | 82,786,553                    | 10,596,282              | 651,442                 | 2,620,892               | 2,499,345                | 249               | (19,767,387)                                     |
| NON FINANCIAL ASSETS                                |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Operating fixed assets                            |       | 4,021,420             |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Deferred taxation                                 |       | 638,882               |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Other assets including trade inventories          |       | 690,117               |                          |                          |                               |                         |                         |                         |                          |                   |  |
|   |       | 5,350,419             |                          |                          |                               |                         |                         |                         |                          |                   |  |
| NON FINANCIAL LIABILITIES                           |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Deferred taxation                                 |       | -                     |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Other liabilities                                 |       | 861,633               |                          |                          |                               |                         |                         |                         |                          |                   |  |
|   |       | 861,633               |                          |                          |                               |                         |                         |                         |                          |                   |  |
| TOTAL NET ASSETS                                    |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
|   |       | 14,835,736            |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Off-balance sheet financial instruments             |       |                       |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Forward Lending                                     | -     | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Forward borrowings                                  | -     | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Off-balance sheet gap                               | -     | -                     | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Total Yield Risk Sensitivity Gap                    |       | (109,487,541)         | 40,447,115               | 82,786,553               | 10,596,282                    | 651,442                 | 2,620,892               | 2,499,345               | 249                      | -                 | (19,767,387)                                     |
| Cumulative Yield Risk Sensitivity Gap               |       | (109,487,541)         | (69,040,426)             | 13,746,127               | 24,342,409                    | 24,993,851              | 27,614,743              | 30,114,088              | 30,114,337               | 30,114,337        | 10,346,950                                       |

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| Effective<br>yield<br>rate<br>%                        | Total | 2010                      |                          |                          |                               |                         |                         |                         |                          |                   | Non-yield<br>bearing<br>financial<br>instruments |
|--|-------|---------------------------|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------|--|
|  |       | Exposed to yield risk     |                          |                          |                               |                         |                         |                         |                          |                   |  |
|  |       | Over 1<br>Upto 1<br>Month | Over 3<br>to 3<br>Months | Over 3<br>to 6<br>Months | Over 6<br>Months to<br>1 Year | Over 1<br>to 2<br>Years | Over 2<br>to 3<br>Years | Over 3<br>to 5<br>Years | Over 5<br>to 10<br>Years | Above 10<br>Years |  |
|  |       | Rupees in '000            |                          |                          |                               |                         |                         |                         |                          |                   |  |
| On-balance sheet financial instruments                 |       |                           |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Assets   |       |                           |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Cash and balances with treasury banks                  | -     | 12,780,951                | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 12,780,951                                       |
| Balances with other banks                              | 3.75  | 9,957,757                 | 4,413,478                | 3,000,000                | -                             | -                       | -                       | -                       | -                        | -                 | 2,544,279  |
| Due from financial institutions                        | 11.73 | 10,511,855                | 5,478,320                | 3,005,200                | 2,009,835                     | 18,500                  | -                       | -                       | -                        | -                 | -  |
| Investments  | 12.21 | 50,519,386                | -                        | 557,227                  | 2,617,581                     | 32,484,758              | 1,412,302               | 108,708                 | 3,364,668                | 4,708,544         | 5,265,598  |
| Financings   | 13.04 | 53,995,163                | 7,468,167                | 10,674,391               | 13,252,226                    | 1,879,691               | 2,628,012               | 5,707,008               | 7,572,702                | 2,658,854         | 96,399   |
| Other assets including trade inventories               | -     | 14,496,682                | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 14,496,682                                       |
|  |       | 152,261,794               | 17,359,965               | 17,236,818               | 17,879,642                    | 34,382,949              | 4,040,314               | 5,815,716               | 10,937,370               | 7,367,398         | 35,183,909                                       |
| Liabilities  |       |                           |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Bills payable  | -     | 1,767,370                 | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 1,767,370  |
| Due to financial institutions                          | 9.24  | 5,829,296                 | 586,620                  | 2,605,949                | 2,552,924                     | -                       | -                       | -                       | -                        | -                 | 83,803   |
| Deposits and other accounts                            | 5.49  | 131,067,996               | 93,433,846               | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 37,634,150                                       |
| Sub-ordinated loans                                    | -     | -                         | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Liabilities against assets<br>subject to finance lease | -     | -                         | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Other liabilities                                      | -     | 6,757,299                 | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | 6,757,299  |
|  |       | 145,421,961               | 94,020,466               | 2,605,949                | 2,552,924                     | -                       | -                       | -                       | -                        | -                 | 46,242,622                                       |
| On-balance sheet gap                                   |       | 6,839,833                 | (76,480,501)             | 14,630,869               | 15,326,718                    | 34,382,949              | 4,040,314               | 5,815,716               | 10,937,370               | 7,367,398         | (11,058,713)                                     |
| NON FINANCIAL ASSETS                                   |       |                           |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Operating fixed assets                               |       | 3,095,897                 |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Deferred taxation                                    |       | 241,746                   |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Other assets including trade inventories             |       | 3,210,574                 |                          |                          |                               |                         |                         |                         |                          |                   |  |
|  |       | 6,548,217                 |                          |                          |                               |                         |                         |                         |                          |                   |  |
| NON FINANCIAL LIABILITIES                              |       |                           |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Deferred taxation                                    |       | -                         |                          |                          |                               |                         |                         |                         |                          |                   |  |
| - Other liabilities                                    |       | 961,938                   |                          |                          |                               |                         |                         |                         |                          |                   |  |
|  |       | 961,938                   |                          |                          |                               |                         |                         |                         |                          |                   |  |
| TOTAL NET ASSETS                                       |       | 12,426,112                |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Off-balance sheet financial instruments                |       |                           |                          |                          |                               |                         |                         |                         |                          |                   |  |
| Forward Lending  |       | -                         | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Forward borrowings                                     |       | -                         | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Off-balance sheet gap                                  |       | -                         | -                        | -                        | -                             | -                       | -                       | -                       | -                        | -                 | -  |
| Total Yield Risk Sensitivity Gap                       |       | (76,480,501)              | 14,630,869               | 15,326,718               | 34,382,949                    | 4,040,314               | 5,815,716               | 10,937,370              | 7,367,398                | 1,877,713         | (11,058,713)                                     |
| Cumulative Yield Risk Sensitivity Gap                  |       | (76,480,501)              | (61,849,632)             | (46,522,914)             | (12,139,965)                  | (8,099,651)             | (2,283,935)             | 8,653,435               | 16,020,833               | 17,898,546        | 6,839,833  |

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve.

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market profit rates on both its fair value and cash flow risks. Profit margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

## 41.4 Liquidity risk

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet its obligations and commitments as they fall due or can fulfill them only at excessive cost that may affect the Group's income and equity.

The Group seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and to take advantage of any lending and investment opportunities as they arise.

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## 41.4.1 Maturities of Assets and Liabilities

### 41.4.1.1 Maturities of assets and liabilities based on expected maturities

|   | 2011          |              |                    |                    |                         |                   |                   |                   |                    |                |
|---|---------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
|   | Total         | Upto 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years | Above 10 Years |
|   | Rupees in 000 |              |                    |                    |                         |                   |                   |                   |                    |                |
| <b>Assets</b>                                       |               |              |                    |                    |                         |                   |                   |                   |                    |                |
| Cash and balances with treasury banks               | 16,641,195    | 16,641,195   | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Balances with other banks                           | 2,354,908     | 2,354,908    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Due from financial institutions                     | 4,065,406     | 4,052,406    | 2,000              | 3,000              | 8,000                   | -                 | -                 | -                 | -                  | -              |
| Investments   | 99,949,542    | -            | 4,246,374          | 2,720,325          | 13,678,477              | 26,428,554        | 46,220,671        | 2,070,759         | 3,782,769          | 801,613        |
| Financings  | 58,955,585    | 9,437,613    | 11,525,969         | 14,256,488         | 3,672,218               | 3,689,073         | 5,511,414         | 7,409,343         | 1,615,207          | 1,838,260      |
| Other assets including trade inventories            | 15,108,784    | 3,736,627    | 4,808,357          | 6,082,002          | 92,333                  | 180,201           | 209,264           | -                 | -                  | -              |
| Deferred tax asset                                  | 638,882       | -            | -                  | -                  | 159,721                 | 159,721           | 159,721           | 159,719           | -                  | -              |
| Operating fixed assets                              | 4,021,420     | -            | -                  | -                  | 564,832                 | 382,872           | 382,873           | 765,746           | 828,962            | 1,096,135      |
|   | 201,735,722   | 36,222,749   | 20,582,700         | 23,061,815         | 18,175,581              | 30,840,421        | 52,483,943        | 10,405,567        | 6,226,938          | 3,736,008      |
| <b>Liabilities</b>                                  |               |              |                    |                    |                         |                   |                   |                   |                    |                |
| Bills payable                                       | 2,282,045     | 2,282,045    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Due to financial institutions                       | 9,235,960     | 3,468,885    | 2,831,289          | 2,935,786          | -                       | -                 | -                 | -                 | -                  | -              |
| Deposits and other accounts                         | 170,022,486   | 10,195,402   | 23,149,328         | 13,542,966         | 22,862,508              | 17,287,828        | 14,581,112        | 24,883,677        | 25,726,610         | 17,793,055     |
| Sub-ordinated loans                                 | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Liabilities against assets subject to finance lease | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Other liabilities                                   | 5,359,495     | 658,839      | 936,275            | 1,252,743          | 970,440                 | 461,526           | 440,279           | 639,393           | -                  | -              |
| Deferred tax liabilities                            | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
|   | 186,899,986   | 16,605,171   | 26,916,892         | 17,731,495         | 23,832,948              | 17,749,354        | 15,021,391        | 25,523,070        | 25,726,610         | 17,793,055     |
| <b>Net assets</b>                                   | 14,835,736    | 19,617,578   | (6,334,192)        | 5,330,320          | (5,657,367)             | 13,091,067        | 37,462,552        | (15,117,503)      | (19,499,672)       | (14,057,047)   |
| Share capital / Head office capital account         | 8,029,933     |              |                    |                    |                         |                   |                   |                   |                    |                |
| Reserves  | 2,082,635     |              |                    |                    |                         |                   |                   |                   |                    |                |
| Unappropriated / Unremitted profit                  | 3,851,734     |              |                    |                    |                         |                   |                   |                   |                    |                |
| Surplus on revaluation of assets                    | 413,756       |              |                    |                    |                         |                   |                   |                   |                    |                |
| Non controlling interest                            | 467,678       |              |                    |                    |                         |                   |                   |                   |                    |                |
|   | 14,835,736    |              |                    |                    |                         |                   |                   |                   |                    |                |
|   | 2010          |              |                    |                    |                         |                   |                   |                   |                    |                |
|   | Total         | Upto 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years | Above 10 Years |
|   | Rupees in 000 |              |                    |                    |                         |                   |                   |                   |                    |                |
| <b>Assets</b>                                       |               |              |                    |                    |                         |                   |                   |                   |                    |                |
| Cash and balances with treasury banks               | 12,780,951    | 12,780,951   | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Balances with other banks                           | 9,957,757     | 6,957,757    | 3,000,000          | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Due from financial institutions                     | 10,511,855    | 5,478,320    | 3,005,200          | 2,009,835          | 18,500                  | -                 | -                 | -                 | -                  | -              |
| Investments   | 50,519,386    | -            | 557,227            | 3,931,919          | 33,385,655              | 1,412,302         | 108,708           | 3,364,668         | 4,708,544          | 3,050,363      |
| Financings  | 53,995,163    | 7,468,166    | 10,674,391         | 13,252,226         | 1,879,691               | 2,628,012         | 5,707,008         | 7,572,702         | 2,658,854          | 2,154,113      |
| Other assets including trade inventories            | 17,707,256    | 17,707,256   | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Deferred tax asset                                  | 241,746       | -            | -                  | -                  | 241,746                 | -                 | -                 | -                 | -                  | -              |
| Operating fixed assets                              | 3,095,897     | -            | -                  | -                  | -                       | -                 | -                 | 3,095,897         | -                  | -              |
|   | 158,810,011   | 50,392,450   | 17,236,818         | 19,193,980         | 35,525,592              | 4,040,314         | 5,815,716         | 14,033,267        | 7,367,398          | 5,204,476      |
| <b>Liabilities</b>                                  |               |              |                    |                    |                         |                   |                   |                   |                    |                |
| Bills payable                                       | 1,767,370     | 1,767,370    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Due to financial institutions                       | 5,829,296     | 670,424      | 2,605,949          | 2,552,923          | -                       | -                 | -                 | -                 | -                  | -              |
| Deposits and other accounts                         | 131,067,996   | 28,327,303   | 26,930,093         | 17,526,694         | 22,003,316              | 10,314,861        | 11,443,999        | 6,310,609         | 8,211,121          | -              |
| Sub-ordinated loans                                 | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Liabilities against assets subject to finance lease | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Other liabilities                                   | 7,719,237     | 1,712,032    | 1,202,756          | -                  | 76,511                  | -                 | -                 | 2,119,117         | -                  | 2,608,821      |
| Deferred tax liabilities                            | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
|   | 146,383,899   | 32,477,129   | 30,738,798         | 20,079,617         | 22,079,827              | 10,314,861        | 11,443,999        | 8,429,726         | 8,211,121          | 2,608,821      |
| <b>Net assets</b>                                   | 12,426,112    | 17,915,321   | (13,501,980)       | (885,637)          | 13,445,765              | (6,274,547)       | (5,628,283)       | 5,603,541         | (843,723)          | 2,595,655      |
| Share capital                                       | 6,982,550     |              |                    |                    |                         |                   |                   |                   |                    |                |
| Reserves  | 1,404,326     |              |                    |                    |                         |                   |                   |                   |                    |                |
| Unappropriated profit                               | 3,359,541     |              |                    |                    |                         |                   |                   |                   |                    |                |
| Non Controlling Interest                            | 339,827       |              |                    |                    |                         |                   |                   |                   |                    |                |
| Surplus on revaluation of investments               | 339,868       |              |                    |                    |                         |                   |                   |                   |                    |                |
|   | 12,426,112    |              |                    |                    |                         |                   |                   |                   |                    |                |

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioural study based on 3 years data. On the basis of its findings 43.5% of current accounts and 22.7% of saving accounts are bucketed into 'Upto 1-Year maturity' whereas, 56.5% of current accounts and 77.3% of saving accounts are bucketed into maturities of above 1-Year.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## 41.4.1.2 Maturities of assets and liabilities based on Contractual Maturities

|   | 2011          |              |                    |                    |                         |                   |                   |                   |                    |
|---|---------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|
|   | Total         | Upto 1 Month | Over 1 to 5 Months | Over 5 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years |
|   | Rupees in 000 |              |                    |                    |                         |                   |                   |                   |                    |
| <b>Assets</b>                                       |               |              |                    |                    |                         |                   |                   |                   |                    |
| Cash and balances with treasury banks               | 16,641,195    | 16,641,195   | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Balances with other banks                           | 2,354,908     | 2,354,908    | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Lending to financial institutions                   | 4,065,406     | 4,052,406    | 2,000              | 3,000              | 8,000                   | -                 | -                 | -                 | -                  |
| Investments   | 99,949,542    | -            | 4,246,374          | 2,720,325          | 13,678,478              | 26,428,554        | 46,220,671        | 2,070,758         | 3,782,769          |
| Financings  | 58,955,585    | 9,437,613    | 11,525,969         | 14,256,488         | 3,672,218               | 3,689,073         | 5,511,414         | 7,409,342         | 1,615,207          |
| Other assets  | 15,108,784    | 3,736,627    | 4,808,358          | 6,082,002          | 92,332                  | 180,200           | 209,265           | -                 | -                  |
| Operating fixed assets                              | 4,021,420     | -            | -                  | -                  | 564,832                 | 382,872           | 382,873           | 765,746           | 828,962            |
| Deferred tax assets                                 | 638,882       | -            | -                  | -                  | 159,721                 | 159,721           | 159,721           | 159,719           | -                  |
|   | 201,735,722   | 36,222,749   | 20,582,701         | 23,061,815         | 18,175,581              | 30,840,420        | 52,483,944        | 10,405,565        | 6,226,938          |
| <b>Liabilities</b>                                  |               |              |                    |                    |                         |                   |                   |                   |                    |
| Bills payable                                       | 2,282,045     | 2,282,045    | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Due to financial institutions                       | 9,235,960     | 3,468,885    | 2,831,289          | 2,935,786          | -                       | -                 | -                 | -                 | -                  |
| Deposits and other accounts                         | 170,022,486   | 111,864,695  | 15,281,451         | 6,224,343          | 12,512,412              | 2,650,582         | 3,349,558         | 7,073,001         | 11,066,444         |
| Sub-ordinated loans                                 | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Liabilities against assets subject to finance lease | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Other liabilities                                   | 5,359,495     | 658,839      | 936,275            | 1,252,745          | 970,440                 | 461,526           | 440,279           | 639,393           | -                  |
| Deferred tax liabilities                            | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
|   | 186,899,986   | 118,274,464  | 19,049,015         | 10,412,872         | 13,482,852              | 3,112,108         | 3,789,837         | 7,712,394         | 11,066,444         |
| <b>Net assets</b>                                   | 14,835,736    | (82,051,715) | 1,533,686          | 12,648,943         | 4,692,729               | 27,728,312        | 48,694,107        | 2,693,171         | (4,839,506)        |
| Share capital / Head office capital account         | 8,029,933     |              |                    |                    |                         |                   |                   |                   |                    |
| Reserves  | 2,082,635     |              |                    |                    |                         |                   |                   |                   |                    |
| Unappropriated / Unremitted profit                  | 3,851,734     |              |                    |                    |                         |                   |                   |                   |                    |
| Surplus on revaluation of assets                    | 457,678       |              |                    |                    |                         |                   |                   |                   |                    |
| Non controlling interest                            | 413,756       |              |                    |                    |                         |                   |                   |                   |                    |
|   | 14,835,736    |              |                    |                    |                         |                   |                   |                   |                    |

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

|   | 2010          |              |                    |                    |                         |                   |                   |                   |                    |
|---|---------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|
|   | Total         | Upto 1 Month | Over 1 to 5 Months | Over 5 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years |
|   | Rupees in 000 |              |                    |                    |                         |                   |                   |                   |                    |
| <b>Assets</b>                                       |               |              |                    |                    |                         |                   |                   |                   |                    |
| Cash and balances with treasury banks               | 12,780,951    | 12,780,951   | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Balances with other banks                           | 9,957,757     | 6,957,757    | 3,000,000          | -                  | -                       | -                 | -                 | -                 | -                  |
| Due from financial institutions                     | 10,511,855    | 5,478,320    | 3,005,200          | 2,009,835          | 18,500                  | -                 | -                 | -                 | -                  |
| Investments   | 50,519,386    | -            | 557,227            | 3,931,919          | 33,385,655              | 1,412,302         | 108,708           | 3,364,668         | 4,708,544          |
| Financings  | 53,995,163    | 7,468,166    | 10,674,391         | 13,252,226         | 1,879,691               | 2,628,012         | 5,707,008         | 7,572,702         | 2,658,854          |
| Other assets including trade inventories            | 17,707,256    | 17,707,256   | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Deferred tax asset                                  | 241,746       | -            | -                  | -                  | 241,746                 | -                 | -                 | -                 | -                  |
| Operating fixed assets                              | 3,095,897     | -            | -                  | -                  | -                       | -                 | -                 | 3,095,897         | -                  |
|   | 158,810,011   | 50,392,450   | 17,236,818         | 19,193,980         | 35,525,592              | 4,040,314         | 5,815,716         | 14,033,267        | 7,367,398          |
| <b>Liabilities</b>                                  |               |              |                    |                    |                         |                   |                   |                   |                    |
| Bills payable                                       | 1,767,370     | 1,767,370    | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Due to financial institutions                       | 5,829,296     | 670,424      | 2,605,949          | 2,552,923          | -                       | -                 | -                 | -                 | -                  |
| Deposits and other accounts                         | 131,067,996   | 28,327,303   | 26,930,093         | 17,526,694         | 22,003,316              | 10,314,861        | 11,443,999        | 6,310,609         | 8,211,121          |
| Sub-ordinated loans                                 | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Liabilities against assets subject to finance lease | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
| Other liabilities                                   | 7,719,237     | 1,712,032    | 1,202,756          | -                  | 76,511                  | -                 | -                 | 2,119,117         | -                  |
| Deferred tax liabilities                            | -             | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  |
|   | 146,583,899   | 32,477,129   | 30,738,798         | 20,079,617         | 22,079,827              | 10,314,861        | 11,443,999        | 8,429,726         | 8,211,121          |
| <b>Net assets</b>                                   | 12,426,112    | 17,915,321   | (13,501,980)       | (885,637)          | 13,445,765              | (6,274,547)       | (5,628,283)       | 5,603,541         | (843,723)          |
| Share capital                                       | 6,982,550     |              |                    |                    |                         |                   |                   |                   |                    |
| Reserves  | 1,404,326     |              |                    |                    |                         |                   |                   |                   |                    |
| Unappropriated profit                               | 3,359,541     |              |                    |                    |                         |                   |                   |                   |                    |
| Non Controlling Interest                            | 339,827       |              |                    |                    |                         |                   |                   |                   |                    |
| Surplus on revaluation of investments               | 339,868       |              |                    |                    |                         |                   |                   |                   |                    |
|   | 12,426,112    |              |                    |                    |                         |                   |                   |                   |                    |

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011

## 41.5 Operational risk

The Group uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average positive annual gross income of the Group over past three years with 15% as per guidelines issued by SBP under Basel II.

To reduce losses arising from operational risk, the Group has strengthened its risk management framework by developing policies, guidelines and manuals. It also includes set up of fraud and forgery management unit, defining responsibilities of individuals, enhancing security measures, improving efficiency and effectiveness of operations, outsourcing and improving quality of human resources through trainings.

## 42. TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not assets of the bank and, therefore, are not included in balance sheet. Following is the list of assets held under trust:

| Category                   | IPS account              | Number of IPS account | Face Value (Rupees in '000) |
|----------------------------|--------------------------|-----------------------|-----------------------------|
| Insurance Companies        | Government Ijarah Sukuks | 3                     | 261,500                     |
| Asset Management Companies | Government Ijarah Sukuks | 14                    | 10,341,500                  |
| Employee Funds / NGOs      | Government Ijarah Sukuks | 6                     | 455,300                     |
| Individuals                | Government Ijarah Sukuks | 8                     | 17,700                      |
|                            |                          | 31                    | 11,076,000                  |

## 43. GENERAL AND NON-ADJUSTING EVENT

43.1 The Board of Directors in their meeting held on February 19, 2012 has announced issue of bonus shares @ 12.5%. These consolidated financial statements for the year ended December 31, 2011, do not include the effect of this appropriation which will be accounted for subsequent to the year-end.

## 44. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 19, 2012 by the Board of Directors of the Group.



H.E. Sheikh Ebrahim  
Bin Khalifa Al-Khalifa  
Chairman



Irfan Siddiqui  
President and  
Chief Executive



Abdullateef  
A. Al-Asfour  
Director



Mohammad  
Abdul Aleem  
Director



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2011



## Annexure -I

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2011**

Rupees in '000

| S. No. | Name and address of the borrower | Name of director (with NIC No.)       | Father's / Husband's Name | Outstanding Exposures at beginning of year |        |        |               | Principal written-off | Profit written-off | Other Financial Relief Provided | Total (9+10+11) |
|--------|----------------------------------|---------------------------------------|---------------------------|--|--------|--------|---------------|-----------------------|--------------------|---------------------------------|-----------------|
|        |                                  |                                       |                           | Principal                                  | Profit | Others | Total (5+6+7) |                       |                    |                                 |                 |
| 1      | 2                                | 3                                     | 4                         | 5  | 6      | 7      | 8             | 9                     | 10                 | 11                              | 12              |
| 1      | Fateh Textile Mills Ltd.         | Mr Inayat Ullah (451-40-027107)       | Mr Barkat Bhai            | 19,733                                     | 22,071 | -      | 41,804        | -                     | 20,301             | -                               | 20,301          |
|        |                                  | Mr Gohar Ullah (451-64-027111)        | Mr Inayat Ullah           |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Asad Ullah Barkat (451-71-027113)  | Mr Inayat Ullah           |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Humayun Barkat (451-89-027114)     | Mr Inayat Ullah           |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Maqsood Ahmed Khan (449-42-176221) | Mr Zahoor Ahmed Khan      |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Muhammad Saleem (501-55-166315)    | Mr Noor Muhammad          |  |        |        |               |                       |                    |                                 |                 |
|        |                                  | Mr Muhammad Shafi (501-47-013051)     | Mr Mumtaz Ali Khan        |  |        |        |               |                       |                    |                                 |                 |
| 2      | Amir Majeed Kaludi               | Amir Majeed Kaludi (42301-6831572-5)  | Abdul Majeed Kaludi       | 9,125                                      | 4,782  | -      | 13,907        | 1,625                 | 4,782              | -                               | 6,407           |
| 3      | Sunny Enterprises                | Muhammad Akram (34101-2511309-3)      | N/A                       | 1,048                                      | 195    | 3,253  | 4,496         | -                     | 195                | 3,253                           | 3,448           |

THE CAFETERIA AT MEEZAN HOUSE





## Additional Information

|                               |     |
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| Pattern of Shareholding       | 220 |
| Categories of Shareholders    | 221 |
| Correspondent Banking Network | 222 |
| Branch Network                | 227 |
| Proxy Form                    |     |

# Pattern of Shareholding

as at December 31, 2011

| No. of<br>Shareholders | Having Shares |             | Shares held | Percentage |
|------------------------|---------------|-------------|-------------|------------|
|                        | From          | To          |             |            |
| 254                    | 1             | 100         | 7,471       | 0.00%      |
| 321                    | 101           | 500         | 85,918      | 0.01%      |
| 243                    | 501           | 1,000       | 183,459     | 0.02%      |
| 573                    | 1,001         | 5,000       | 1,362,719   | 0.17%      |
| 145                    | 5,001         | 10,000      | 1,066,667   | 0.13%      |
| 87                     | 10,001        | 15,000      | 1,076,386   | 0.13%      |
| 45                     | 15,001        | 20,000      | 752,959     | 0.09%      |
| 34                     | 20,001        | 25,000      | 764,970     | 0.10%      |
| 23                     | 25,001        | 30,000      | 630,351     | 0.08%      |
| 18                     | 30,001        | 35,000      | 584,346     | 0.07%      |
| 13                     | 35,001        | 40,000      | 486,727     | 0.06%      |
| 4                      | 40,001        | 45,000      | 173,093     | 0.02%      |
| 10                     | 45,001        | 50,000      | 482,075     | 0.06%      |
| 5                      | 50,001        | 55,000      | 263,889     | 0.03%      |
| 9                      | 55,001        | 60,000      | 514,900     | 0.06%      |
| 12                     | 60,001        | 65,000      | 741,667     | 0.09%      |
| 4                      | 65,001        | 70,000      | 269,220     | 0.03%      |
| 6                      | 70,001        | 75,000      | 431,320     | 0.05%      |
| 4                      | 75,001        | 80,000      | 308,517     | 0.04%      |
| 4                      | 80,001        | 85,000      | 330,565     | 0.04%      |
| 7                      | 85,001        | 90,000      | 611,588     | 0.08%      |
| 2                      | 90,001        | 95,000      | 187,571     | 0.02%      |
| 3                      | 95,001        | 100,000     | 300,000     | 0.04%      |
| 1                      | 100,001       | 105,000     | 105,000     | 0.01%      |
| 1                      | 110,001       | 115,000     | 113,000     | 0.01%      |
| 2                      | 120,001       | 125,000     | 248,830     | 0.03%      |
| 2                      | 130,001       | 135,000     | 265,659     | 0.03%      |
| 1                      | 135,001       | 140,000     | 137,948     | 0.02%      |
| 3                      | 145,001       | 150,000     | 443,718     | 0.06%      |
| 2                      | 150,001       | 155,000     | 304,471     | 0.04%      |
| 3                      | 155,001       | 160,000     | 469,583     | 0.06%      |
| 3                      | 160,001       | 165,000     | 486,624     | 0.06%      |
| 3                      | 170,001       | 175,000     | 523,650     | 0.07%      |
| 2                      | 175,001       | 180,000     | 353,710     | 0.04%      |
| 1                      | 185,001       | 190,000     | 185,064     | 0.02%      |
| 1                      | 195,001       | 200,000     | 197,139     | 0.02%      |
| 2                      | 210,001       | 215,000     | 426,698     | 0.05%      |
| 1                      | 235,001       | 240,000     | 237,348     | 0.03%      |
| 1                      | 245,001       | 250,000     | 245,871     | 0.03%      |
| 1                      | 260,001       | 265,000     | 262,000     | 0.03%      |
| 1                      | 275,001       | 280,000     | 280,000     | 0.03%      |
| 2                      | 290,001       | 295,000     | 584,313     | 0.07%      |
| 1                      | 300,001       | 305,000     | 303,076     | 0.04%      |
| 1                      | 305,001       | 310,000     | 307,344     | 0.04%      |
| 1                      | 315,001       | 320,000     | 316,788     | 0.04%      |
| 1                      | 320,001       | 325,000     | 320,115     | 0.04%      |
| 1                      | 345,001       | 350,000     | 350,000     | 0.04%      |
| 1                      | 360,001       | 365,000     | 364,500     | 0.05%      |
| 1                      | 370,001       | 375,000     | 375,000     | 0.05%      |
| 1                      | 375,001       | 380,000     | 378,905     | 0.05%      |
| 4                      | 380,001       | 385,000     | 1,530,693   | 0.19%      |
| 2                      | 400,001       | 405,000     | 805,872     | 0.10%      |
| 1                      | 415,001       | 420,000     | 416,022     | 0.05%      |
| 1                      | 440,001       | 445,000     | 443,750     | 0.06%      |
| 1                      | 450,001       | 455,000     | 452,064     | 0.06%      |
| 1                      | 465,001       | 470,000     | 465,038     | 0.06%      |
| 1                      | 530,001       | 535,000     | 534,456     | 0.07%      |
| 2                      | 560,001       | 565,000     | 1,122,110   | 0.14%      |
| 1                      | 565,001       | 570,000     | 569,328     | 0.07%      |
| 1                      | 570,001       | 575,000     | 575,000     | 0.07%      |
| 1                      | 585,001       | 590,000     | 585,263     | 0.07%      |
| 1                      | 595,001       | 600,000     | 600,000     | 0.07%      |
| 4                      | 600,001       | 605,000     | 2,416,106   | 0.30%      |
| 1                      | 605,001       | 610,000     | 609,011     | 0.08%      |
| 1                      | 640,001       | 645,000     | 642,034     | 0.08%      |
| 1                      | 645,001       | 650,000     | 646,405     | 0.08%      |
| 1                      | 665,001       | 670,000     | 665,817     | 0.08%      |
| 1                      | 705,001       | 710,000     | 708,280     | 0.09%      |
| 1                      | 715,001       | 720,000     | 716,203     | 0.09%      |
| 1                      | 745,001       | 750,000     | 750,000     | 0.09%      |
| 1                      | 755,001       | 760,000     | 755,421     | 0.09%      |
| 1                      | 775,001       | 780,000     | 780,000     | 0.10%      |
| 1                      | 805,001       | 810,000     | 808,595     | 0.10%      |
| 1                      | 810,001       | 815,000     | 812,475     | 0.10%      |
| 1                      | 865,001       | 870,000     | 867,505     | 0.11%      |
| 1                      | 930,001       | 935,000     | 934,600     | 0.12%      |
| 1                      | 1,010,001     | 1,015,000   | 1,012,455   | 0.13%      |
| 1                      | 1,090,001     | 1,095,000   | 1,094,815   | 0.14%      |
| 1                      | 1,245,001     | 1,250,000   | 1,250,000   | 0.16%      |
| 1                      | 1,255,001     | 1,260,000   | 1,257,774   | 0.16%      |
| 1                      | 1,275,001     | 1,280,000   | 1,280,000   | 0.16%      |
| 1                      | 1,325,001     | 1,330,000   | 1,327,224   | 0.17%      |
| 1                      | 1,440,001     | 1,445,000   | 1,440,155   | 0.18%      |
| 1                      | 1,530,001     | 1,535,000   | 1,531,269   | 0.19%      |
| 1                      | 1,625,001     | 1,630,000   | 1,626,292   | 0.20%      |
| 1                      | 2,165,001     | 2,170,000   | 2,168,211   | 0.27%      |
| 1                      | 2,285,001     | 2,290,000   | 2,286,064   | 0.28%      |
| 1                      | 2,310,001     | 2,315,000   | 2,314,468   | 0.29%      |
| 1                      | 2,345,001     | 2,350,000   | 2,349,822   | 0.29%      |
| 1                      | 2,575,001     | 2,580,000   | 2,577,032   | 0.32%      |
| 1                      | 3,780,001     | 3,785,000   | 3,781,286   | 0.47%      |
| 1                      | 3,945,001     | 3,950,000   | 3,947,797   | 0.49%      |
| 1                      | 4,070,001     | 4,075,000   | 4,075,000   | 0.51%      |
| 1                      | 5,370,001     | 5,375,000   | 5,370,156   | 0.67%      |
| 1                      | 11,735,001    | 11,740,000  | 11,738,256  | 1.46%      |
| 1                      | 74,870,001    | 74,875,000  | 74,870,599  | 9.32%      |
| 1                      | 240,895,001   | 240,900,000 | 240,897,991 | 30.00%     |
| 1                      | 394,380,001   | 394,385,000 | 394,381,884 | 49.11%     |
| 1921                   |               |             | 802,993,310 | 100.00%    |



# Categories of Shareholders

as at December 31, 2011



| Particulars   | Number of Shareholders | Shares held | Percentage |
|---|------------------------|-------------|------------|
| Directors, Chief Executive, their spouse and minor children                 | 4                      | 9,534,951   | 1.19%      |
| Associated Companies, undertakings and related parties                      | 6                      | 724,773,008 | 90.25%     |
| Banks, Development Financial Institutions and Non Banking Finance Companies | 4                      | 1,345,048   | 0.17%      |
| Insurance Companies   | 7                      | 1,383,850   | 0.17%      |
| Modaraba and Mutual Funds   | 24                     | 10,086,249  | 1.26%      |
| General Public  |                        |             |            |
| a. Local  | 1,755                  | 37,035,186  | 4.61%      |
| b. Foreign  | 46                     | 798,363     | 0.10%      |
| Others  | 75                     | 18,036,655  | 2.25%      |
| Total   | 1,921                  | 802,993,310 | 100.00%    |

## Additional Information as at December 31, 2011

| Particulars  | Number of Shareholders | Shares held | Percentage |
|--|------------------------|-------------|------------|
| <b>Associated Companies &amp; Shareholders with more than 10% shareholding</b>   |                        |             |            |
| Noor Financial Investment Co, Kuwait   | 1                      | 394,381,884 | 49.11%     |
| Pakistan Kuwait Investment Co. (Pvt.) Ltd.   | 1                      | 240,897,991 | 30.00%     |
| Islamic Development Bank, Jeddah   | 1                      | 74,870,599  | 9.32%      |
| Al-Meezan Mutual Fund Ltd.   | 1                      | 2,349,822   | 0.29%      |
| CDC Trustee Meezan Islamic Fund  | 1                      | 11,738,256  | 1.46%      |
| CDC Trustee Meezan Balanced Fund   | 1                      | 534,456     | 0.07%      |
| <b>NIT &amp; ICP</b>   |                        |             |            |
| National Bank of Pakistan, Trustee Department  | -                      | -           | 0.00%      |
| <b>Directors, Chief Executive, their spouse and minor children</b>   |                        |             |            |
| H.E. Sheikh Ebrahim Bin Khalifa Al-Khalifa   | 1                      | 5,370,156   | 0.67%      |
| Mr. Mohammad Abdul Aleem   | 1                      | 147,608     | 0.02%      |
| Mr. Irfan Siddiqui   | 1                      | 2,577,032   | 0.32%      |
| Mr. Ariful Islam   | 1                      | 1,440,155   | 0.18%      |
| Executives   | 40                     | 2,317,722   | 0.29%      |
| Public Sector Companies, Corporations, Banks, DFI's, NBFC's, Insurance Companies, Modaraba, Mutual Funds and other Organizations | 110                    | 30,851,802  | 3.85%      |
| General Public   | 1,761                  | 35,515,827  | 4.42%      |
|  | 1,921                  | 802,993,310 | 100.00%    |



# Correspondent Banking Network

| Country       | Bank  | Country        | Bank   |
|---------------|---|----------------|--|
| Argentina     | BNP Paribas - Succursale de Beunos Aires                        |                | Commerzbank  |
|               | Deutsche Bank AG  |                | Deutsche Bank AG   |
|               | HSBC Bank Argentina SA  |                | HSBC Bank  |
| Australia     | ABN Amro Bank (now Royal Bank of Scotland)                      |                | Industrial Bank of Korea   |
|               | Bank of America, N.A.   |                | J.P.Morgan Chase Bank NA   |
|               | Bank of Western Australia                                       |                | Laiwu City Commercial Bank Co. Ltd.                                  |
|               | BNP Paribas Australia   |                | Mizuho Corporate Bank (China) Ltd.                                   |
|               | Commonwealth Bank of Australia                                  |                | Société Générale   |
|               | HSBC Bank   |                | Standard Chartered Bank  |
|               | J.P.Morgan Chase Bank NA  |                | The Korea Development Bank   |
|               | National Australia Bank   |                | Wenzhou City Commercial Bank   |
|               | Royal Bank of Scotland  |                | Yantai City Commercial Bank  |
|               | Commerz Bank  | Croatia        | Deutsche Bank  |
|               | Deutsche Bank   | Cyprus         | Bank of Cyprus Public Company Limited                                |
| Austria       | Deutsche Bank AG  | Czech Republic | Commerzbank  |
|               | Oberbank AG   |                | Komerční Banka A.S.  |
|               | Raiffeisenlandesbank Oberösterreich AG                          |                | Unicredit Bank Czech Republic  |
|               | Unicredit Bank Austria AG (formerly Bank Austria Creditanstalt) | Denmark        | Danske Bank A/S  |
|               | Vorarlberger Landes- und Hypothekenbank                         |                | Nordea Bank Sweden AB (publ)   |
| Bahrain       | ABC Islamic Bank (E.C)  |                | Skjern Bank  |
|               | Al Baraka Islamic Bank BSC                                      | Egypt          | Al Baraka Bank Egypt (formerly Egyptian Saudi Finance Bank)          |
|               | BNP Paribas Manama  |                | Arab International Bank  |
|               | Citibank NA   |                | Bank of Alexandria Sae   |
|               | Gulf International Bank B.S.C.                                  |                | BNP Paribas Le Caire   |
|               | Shamil Bank of Bahrain  |                | Albaraka Bank, Egypt   |
|               | Standard Chartered Bank   |                | HSBC Bank Egypt  |
|               | United Bank Limited   |                | Mashreq Bank Limited   |
|               | Woori bank  | Estonia        | AS Unicredit Bank Eesti Filiaal                                      |
| Bangladesh    | CitiBank N.A.   |                | Nordea Bank Sweden AB (publ)   |
|               | Habib Bank Limited  | Ethiopia       | Commercial Bank of Ethiopia  |
|               | HSBC Bank   |                | Dashen Bank SC   |
|               | Woori Bank  | Finland        | Nordea Bank Sweden AB (publ)   |
|               | Standard Chartered Bank   |                | Danske Bank  |
| Belgium       | Bank of America, N.A.   |                | Pohjola Pankki OVJ (Pohjola Bank PLC) Markets/ Clearing & Settlement |
|               | BNP Paribas Fortis (formerly Fortis Banque S.A./N.V)            |                | Sampo Bank (part of Danske bank group)                               |
|               | BNP Paribas S.A. Belgium - Belgium branch                       | France         | Bank of America, N.A.  |
|               | Commerzbank   |                | BNP-Paribas SA   |
|               | Deutsche Bank AG  |                | BNP-Paribas Securities Services                                      |
|               | Dexia Bank SA   |                | Commerzbank  |
|               | Habib Bank Limited  |                | Credit Agricole CIB  |
|               | Ing Belgium Nv/Sa   |                | Credit Agricole SA   |
|               | KBC Bank NV   |                | Credit Industriel et Commercial                                      |
|               | Santander Benelux SA  |                | Deutsche Bank  |
| Botswana      | Firststrand Bank Ltd  |                | Habib Bank Limited   |
| Brazil        | Banco do Brasil S.A.  |                | HSBC France  |
|               | Banco BNP Paribas Brasil S/A                                    |                | National Bank of Pakistan  |
|               | Deutsche Bank S.A. - Banco Alemão                               |                | Société Générale   |
|               | HSBC Bank Brazil S.A.   |                | Sumitomo Mitsui Banking Corporation, The U.B.A.F.                    |
| Bulgaria      | Unicredit Bulbank   |                | Commerzbank  |
| Canada        | Bank of America, N.A.   | Germany        | Deutsche Asset Management International GmbH                         |
|               | Habib Canadian Bank   |                | Deutsche Bank AG   |
|               | HSBC Bank   |                | Deutsche Bank AG, Frankfurt, (Central Entry Point Europe)            |
|               | Royal Bank of Canada  |                | Dresdner Bank (now part of Commerzbank)                              |
|               | Toronto Dominion Bank   |                | DWS Investment GmbH  |
| Cayman Island | Aib Bank (Ci) Limited   |                | ING Bank N.V.  |
| Chile         | Banco Itau  |                | JP Morgan Chase Bank   |
| China         | ABN Amro Bank (now Royal Bank of Scotland)                      |                | Landesbank Baden-Wuerttemberg  |
|               | Agricultural Bank of China, The                                 |                | National Bank of Pakistan  |
|               | Bank of China   |                | National-Bank AG   |
|               | Bank of Communications  |                | Nordea Bank Sweden AB (publ)   |
|               | Bank of New York  |                | Sparkasse Dortmund   |
|               | China Citic Bank (formerly Citic Industrial Bank)               |                | Sparkasse Köln   |
|               | Citibank NA   |                |  |
|               | Bank of Jiangsu   |                |  |

# Correspondent Banking Network



| Country   | Bank  | Country | Bank   |
|-----------|---|---------|--|
|           | Sparkasse Westmunsterland                               | Italy   | Banca Delle Marche Spa                           |
|           | Standard Chartered Bank                                 |         | Banca di Credito Cooperativo di Fornacette       |
|           | Sumitomo Mitsui Banking Corporation, The                |         | Banca di Roma                                    |
|           | Unicredit Bank AG (formerly Hypo and Vereinsbank HVB)   |         | Banca Intesa Spa                                 |
|           | Volksbank Bocholt EG                                    |         | Banca Monte Dei Paschi di Siena SpA              |
| Ghana     | Standard Chartered Bank Ghana Limited                   |         | Banca Nazionale del Lavoro SpA                   |
| Greece    | Bank of America, N.A.                                   |         | Banca Popolare dell'Emilia Romagna Societa'      |
|           | Egnatia Bank S.A.                                       |         | Banca Popolare Di Sondrio                        |
|           | Geniki Bank (General Bank of Greece, SocGen group)      |         | Banca Popolare di Vicenza SCPARL                 |
|           | Hellenic Bank Ltd                                       |         | Banca UBAE SpA                                   |
|           | Probank SA  |         | Banco di Napoli                                  |
| Hong Kong | ABN Amro Bank (now Royal Bank of Scotland)              |         | Banco Popolare                                   |
|           | Bank of America, N.A.                                   |         | Banco Popolare di Verona e Novara SCRL           |
|           | BNP Paribas   |         | Bank of America, N.A.                            |
|           | Citibank NA   |         | Bayerische Hypo und Vereinsbank (HVB) Milan      |
|           | Commerzbank   |         | Bipop Carire Spa                                 |
|           | Commonwealth Bank of Australia                          |         | Cassa di Risparmio del Veneto S.p.A.             |
|           | DBS Bank Hong Kong Ltd                                  |         | Cassa di Risparmio di Parma e Piacenza S.p.A.    |
|           | Deutsche Bank AG  |         | Cassa di Risparmio di Pistoia e Pescia S.p.A.    |
|           | Habib Bank Limited                                      |         | Cassa di Risparmio di Venezia S.p.A.             |
|           | Hang Seng Bank Limited                                  |         | Cassa di Risparmio in Bologna S.p.A.-Carisbo Spa |
|           | HBZ Finance Limited                                     |         | Commerzbank                                      |
|           | HSBC Bank   |         | Deutsche Bank AG                                 |
|           | J.P.Morgan Chase Bank NA                                |         | HSBC Bank  |
|           | KBC Bank NV   |         | Mizuho Corporate Bank Ltd.                       |
|           | Kookmin Bank, Hong Kong                                 |         | Société Générale                                 |
|           | Mashreq Bank Limited                                    |         | Unicredit Banca D'Impresa SPA                    |
|           | National Bank of Pakistan                               |         | Unicredit Banca SPA                              |
|           | Standard Chartered Bank                                 |         | Unicredit Private Banking SPA                    |
|           | Sumitomo Mitsui Banking Corporation, The                |         | Unicredito Italiano                              |
|           | U.B.A.F.  |         | Unione di Banche Italiane Scpa (UBI Banca)       |
|           | Wachovia Bank, NA                                       | Japan   | ABN Amro Bank (now Royal Bank of Scotland)       |
|           | Woori bank  |         | Bank of America, N.A.                            |
| Hungary   | CIB Bank Zrt (Central-European International Bank Ltd.) |         | Bank of New York                                 |
|           | Commerzbank   |         | Citibank NA                                      |
|           | Deutsche Bank ZRT                                       |         | Commerzbank                                      |
|           | K and H Bank NYRT.(FORMERLY KERESKEDELM                 |         | Commonwealth Bank of Australia                   |
|           | ES HITELBBANK RT)                                       |         | Credit Agricole Indosuez                         |
|           | Unicredit Bank Hungary ZRT                              |         | Deutsche Bank AG                                 |
| India     | Bank of America, N.A.                                   |         | HSBC Bank  |
|           | Bank of Ceylon  |         | JP Morgan Chase                                  |
|           | BNP Paribas India                                       |         | Mizuho Corporate Bank Ltd.                       |
|           | Citibank NA   |         | National Bank of Pakistan (Tokyo & Osaka)        |
|           | Deutsche Bank   |         | Société Générale                                 |
|           | J.P.Morgan Chase Bank NA                                |         | Standard Chartered Bank                          |
|           | Mashreq Bank Limited                                    |         | Sumitomo Mitsui Banking Corporation              |
|           | Punjab National Bank                                    |         | U.B.A.F.   |
|           | Standard Chartered Bank                                 |         | Wachovia Bank, NA                                |
|           | State Bank of India                                     |         | Woori Bank                                       |
| Indonesia | ABN Amro Bank (now Royal Bank of Scotland)              | Jordan  | Housing Bank for Trade & Finance                 |
|           | Bank Central Asia                                       |         | Jordan Islamic Bank for Finance & Investment     |
|           | Bank of America, N.A.                                   |         | Standard Chartered Bank Jordan                   |
|           | Bank Syariah Mandiri                                    | Kenya   | Gulf African Bank Ltd.                           |
|           | Deutsche Bank AG  |         | Habib Bank AG Zurich                             |
|           | HSBC Bank   |         | Kenya Commercial Bank Limited                    |
|           | J.P.Morgan Chase Bank NA                                | Korea   | ABN Amro Bank (now Royal Bank of Scotland)       |
|           | PT Bank Mandiri (Persero) Tbk                           |         | Bank of New York                                 |
|           | PT Bank SBI Indonesia                                   |         | Daegu Bank Ltd., The                             |
|           | Standard Chartered Bank                                 |         | Deutsche Bank AG                                 |
|           | Woori Bank  |         | Hana Bank  |
| Ireland   | AIB Bank  |         | HSBC   |
|           | Bank of America, N.A.                                   |         | Industrial Bank of Korea                         |
|           | Bank of Ireland International Banking                   |         | J.P.Morgan Chase Bank NA                         |
|           | Citibank  |         | Kookmin Bank                                     |
|           | HSBC Bank Plc   |         | Korea Exchange Bank                              |
|           | National Irish Bank                                     |         | Kyongnam Bank                                    |
|           | San Paolo IMI SpA                                       |         |  |

# Correspondent Banking Network

| Country     | Bank   | Country            | Bank  |
|-------------|--|--------------------|---|
|             | National Bank of Pakistan                            | Oman               | HSBC Bank Middle East                                       |
|             | Pusan Bank   |                    | BankMuscat SAOG   |
|             | Standard Chartered Bank                              |                    | Oman International Bank                                     |
|             | Sumitomo Mitsui Banking Corporation, The             | Pakistan           | Al Baraka Islamic Bank BSC                                  |
|             | U.B.A.F.   |                    | Allied Bank Limited   |
|             | Wachovia Bank, NA                                    |                    | Askari Commercial Bank Ltd                                  |
|             | Woori bank   |                    | Bank Islami Pakistan  |
| Kuwait      | Burgan Bank, SAK                                     |                    | Bank Al Habib Limited                                       |
|             | Citibank NA  |                    | Bank AlFalah Limited  |
|             | Commercial Bank of Kuwait, SAK                       |                    | Bank of Khyber  |
|             | HSBC Bank Middle East                                |                    | Bank of Punjab  |
|             | Kuwait Finance House                                 |                    | Citibank NA   |
|             | National Bank of Kuwait                              |                    | Deutsche Bank AG  |
|             | Noor Financial Investment Company                    |                    | Dawood Islamic Bank   |
| Latvia      | AS Unicredit Bank, Latvia                            |                    | Dubai Islamic Bank  |
|             | Nordea Bank Sweden AB (publ)                         |                    | Faysal Bank   |
| Lebanon     | Lebanon and Gulf Bank SAL                            |                    | Faysal Bank (formerly RBS and ABN Amro)                     |
| Lithuania   | Nordea Bank Sweden AB (publ)                         |                    | Habib Metropolitan Bank                                     |
| Luxembourg  | BNP Paribas Luxumbourg                               |                    | Habib Bank Limited (HBL)                                    |
|             | Commerzbank  |                    | HSBC Bank Middle East                                       |
| Malaysia    | ABN Amro Bank (now Royal Bank of Scotland)           |                    | KASB Bank Limited   |
|             | Al-Rajhi Bank  |                    | MCB Bank Limited  |
|             | Ambank Berhad  |                    | National Bank of Pakistan                                   |
|             | Bank of America, N.A.                                |                    | NIB Bank  |
|             | CIMB Islamic Bank                                    |                    | Oman International Bank                                     |
|             | Citibank NA  |                    | Samba Bank Limited  |
|             | Deutsche Bank AG                                     |                    | Silk Bank Limited   |
|             | HSBC Bank  |                    | Sindh Bank Limited  |
|             | J.P.Morgan Chase Bank Berhad                         |                    | Soneri Bank Limited   |
|             | Malayan Banking Berhad (Maybank)                     |                    | Standard Chartered Bank                                     |
|             | RHB Bank Berhad                                      |                    | Summit Bank Limited   |
|             | Standard Chartered Bank                              |                    | United Bank Limited   |
| Malta       | Credit Europe Bank NV Malta Branch                   | Papua New Guinea   | Bank of South Pacific Ltd                                   |
| Mauritius   | Mauritius Post and Cooperative Bank Ltd              | Philippines        | Asian Development Bank                                      |
|             | HSBC Bank (Mauritius) Limited                        |                    | Banco de Oro Universal Bank                                 |
| Mexico      | Banca del Bajio S.A.                                 |                    | Bank of America, N.A.                                       |
|             | Bank of America, N.A.                                |                    | Deutsche Bank AG  |
| Macau       | BNP Paribas SA                                       |                    | HSBC  |
|             | HSBC   |                    | Bank BPH SA   |
| Mongolia    | Trade & Development Bank of Mongolia                 | Poland             | Bank Polska Kasa Opieki SA                                  |
| Morocco     | Attijariwafa Bank                                    |                    | Deutsche Bank AG  |
|             | Banque Marocaine du Commerce Extérieur               |                    | Deutsche Bank Polska S.A.                                   |
|             | Société Générale                                     |                    | Nordea Bank Sweden AB (publ)                                |
| Nepal       | Bank of Kathmandu Ltd                                |                    | Société Générale  |
|             | Himalayan Bank Limited                               | Portugal           | Banco Espírito Santo SA                                     |
|             | NABIL Nepal Arab Bank Ltd                            |                    | Caixa Geral De Depositos                                    |
|             | Nepal Industrial and Commercial Bank Ltd             |                    | Montepio Geral - Caixa Economica                            |
|             | Standard Chartered Bank                              |                    | Barwa Bank  |
| Netherlands | Bank of America, N.A.                                | Qatar              | Mashreq Bank Limited  |
|             | Commerzbank  |                    | Qatar International Islamic Bank                            |
|             | Credit Europe Bank N.V.                              |                    | United Bank Limited   |
|             | Deutsche Bank AG                                     |                    | Citibank Europe Plc, Dublin-Sucursala Romania               |
|             | Finansbank (Holland) N.V.                            | Romania            | MKB Nextebank SA (formerly Romexterra Bank)                 |
|             | Fortis Bank (Netherlands) N.V.                       |                    | Romanian Bank for Development (BRD) Groupe Societe Generale |
|             | Habib Bank Limited                                   |                    | Unicredit Tiriak Bank SA                                    |
|             | ING Bank N.V.  |                    | Bank for Foreign Trade                                      |
|             | KBC Bank NV  | Russian Federation | Bank of Moscow  |
|             | Lanschot Bankiers NV F. van                          |                    | Commerzbank   |
|             | Rabobank Nederland                                   |                    | Credit Bank of Moscow (Open Joint Stock Company)            |
|             | Royal Bank of Scotland (formerly ABN Amro Bank N.V.) |                    | Deutsche Bank AG  |
| New Zealand | Bank of New Zealand                                  |                    | International Moscow Bank                                   |
|             | HSBC New Zealand                                     |                    | Al Inma Bank  |
| Nigeria     | Standard Chartered Bank                              | Saudi Arabia       | Al Rajhi Bank   |
| Norway      | DNB NOR Bank ASA                                     |                    | Bank Al Bilad   |
|             | Fokus Bank, part of Danske Bank Group                |                    | Bank Al Jazira  |
|             | Nordea Bank Sweden AB (publ)                         |                    |   |

# Correspondent Banking Network



| Country              | Bank                                       | Country              | Bank  |
|----------------------|--|----------------------|---|
| Singapore            | Banque Saudi Fransi                        | Taiwan               | Banque Cantonale Vaudoise                               |
|                      | BNP Paribas Saudi Arabia                   |                      | Banque de Commerce et de Placements                     |
|                      | Deutsche Bank AG, Riyadh Branch            |                      | BNP Paribas (Suisse) SA                                 |
|                      | Gulf International Bank B.S.C.             |                      | Commerzbank (Schweiz) AG                                |
|                      | Islamic Development Bank                   |                      | Credit Agricole Indosuez                                |
|                      | JP Morgan Chase Bank                       |                      | Deutsche Bank AG Zurich                                 |
|                      | National Bank of Pakistan, Riyadh          |                      | Deutsche Bank AG, Frankfurt, Central Entry Point Europe |
|                      | National Commercial Bank                   |                      | Habib Bank AG Zurich                                    |
|                      | Riyad Bank                                 |                      | HSBC Private Bank (Suisse) S.A.                         |
|                      | Saudi Hollandi Bank                        |                      | ING Belgium NV/SA, Geneva Branch                        |
|                      | The Saudi British Bank (HSBC group)        |                      | Merrill Lynch Bank (Suisse) S.A.                        |
|                      | ABN Amro Bank (now Royal Bank of Scotland) |                      | United Bank Limited AG Zurich                           |
|                      | Bank of America, N.A.                      |                      | Zuercher Kantonalbank                                   |
|                      | BNP Paribas - Singapore branch             |                      | Bank of America, N.A.                                   |
|                      | Citibank NA                                |                      | Bank of New York  |
|                      | Commerzbank                                |                      | Chinfon Commercial Bank                                 |
|                      | Commonwealth Bank of Australia             |                      | Citibank NA   |
|                      | DBS Bank Ltd.                              |                      | Citibank Taiwan Ltd (formerly Bank of Overseas Chinese) |
|                      | Deutsche Bank AG                           |                      | Deutsche Bank AG  |
|                      | Fortis Bank                                |                      | J.P.Morgan Chase Bank NA                                |
|                      | Habib Bank Limited                         |                      | Mega International Commercial Bank (International       |
|                      | Hana Bank                                  |                      | Commercial Bank of China)                               |
|                      | HSBC Bank                                  |                      | Société Générale  |
|                      | Ing Bank NV                                |                      | Standard Chartered Bank                                 |
|                      | JP Morgan Chase Bank                       |                      | Sumitomo Mitsui Banking Corporation, The                |
|                      | KBC Bank NV                                |                      | Tainan Business Bank                                    |
|                      | Mizuho Corporate Bank Ltd                  |                      | Taiwan Cooperative Bank                                 |
| Slovakia<br>Slovenia | National Bank of Kuwait                    | Tanzania<br>Thailand | Union Bank of Taiwan                                    |
|                      | Nordea Bank Sweden AB (publ)               |                      | Habib African Bank                                      |
|                      | PT Bank Mandiri (Persero) Tbk              |                      | Bangkok Bank Public Company Limited                     |
|                      | Rabobank Asia Ltd                          |                      | Bank of America, N.A.                                   |
|                      | Société Générale                           |                      | Citibank NA   |
|                      | Standard Chartered Bank                    |                      | Deutsche Bank AG  |
|                      | Sumitomo Mitsui Banking Corporation, The   |                      | HSBC Bank   |
|                      | U.B.A.F.                                   |                      | J.P.Morgan Chase Bank NA                                |
|                      | Woori bank                                 |                      | Standard Chartered Bank                                 |
|                      | Commerzbank                                |                      | Sumitomo Mitsui Banking Corporation, The                |
| South Africa         | SKB Banka dd                               | Tunisia              | Arab Tunisian Bank                                      |
|                      | Unicredit Bank Slovenija                   |                      | Citibank NA   |
|                      | Citibank NA                                |                      | Société Tunisienne de Banque                            |
|                      | Firststrand Bank Ltd                       |                      | Aktif Yatirim Bankasi A.S.                              |
|                      | Habib Overseas Bank Limited                |                      | Al Baraka Turkish Finance House                         |
|                      | HBZ Bank Limited (Habib Bank AG Zurich)    |                      | Asya Katilim Bankasi A.S.                               |
|                      | Banco de Sabadell SA                       |                      | Citibank NA   |
|                      | Banco Espanol de Credito                   |                      | Denizbank A S   |
|                      | Banco Pastor SA                            |                      | Deutsche Bank AG  |
|                      | Bank of America, N.A.                      |                      | Habib Bank Limited                                      |
| Spain                | Bilbao Bizkaia Kutxa                       | Turkey               | HSBC Bank   |
|                      | BNP Paribas S.A. Sucursal En Espana        |                      | ING Bank A.S. (formerly Oyak Bank A.S.)                 |
|                      | Caja De Ahorros de Galicia (Caixa Galicia) |                      | Kuveyt Turk Evkaf Finans Kurumu A.S                     |
|                      | Caja De Ahorros Del Mediterraneo           |                      | Tekstilbank   |
|                      | Commerzbank                                |                      | Türkiye Finans Katilim Bankasi AS                       |
|                      | Deutsche Bank AG                           |                      | Türkiye Garanti Bankasi AS                              |
|                      | HSBC Bank                                  |                      | Türkiye Halk Bankasi AS                                 |
|                      | Bank of Ceylon                             |                      | Türkiye Is Bankasi AS                                   |
|                      | Deutsche Bank AG                           |                      | Türkiye Vakiflar Bankasi T.A.O                          |
|                      | Habib Bank Limited                         |                      | Turkland Bank (T-Bank)                                  |
| Sri Lanka            | Hatton National Bank                       | Ukraine<br>UAE       | Yapi Ve Kredi Bankasi A.S.                              |
|                      | HSBC Bank                                  |                      | Prominvest Bank   |
|                      | MCB Bank                                   |                      | Abu Dhabi Commercial Bank                               |
|                      | Standard Chartered Bank                    |                      | Abu Dhabi Islamic Bank                                  |
|                      | Danske Bank A/S                            |                      | Ajman Bank  |
|                      | Nordea Bank Sweden AB (publ)               |                      | BNP Paribas SA  |
|                      | Skandinaviska Enskilda Banken (SEB Bank)   |                      | Citibank NA   |
|                      | Svenska Handelsbanken                      |                      | Credit Europe Bank (Dubai) Ltd.                         |
|                      | Banco Santander (Suisse) SA                |                      | Deutsche Bank Abu Dhabi                                 |
|                      |  |                      |   |
| Sweden               |  |                      |   |
|                      |  |                      |   |
| Switzerland          |  |                      |   |
|                      |  |                      |   |

# Correspondent Banking Network

| Country | Bank   | Country | Bank  |
|---------|--|---------|---|
| UK      | Dubai Islamic Bank                                   | Vietnam | Habib American Bank                             |
|         | Emirates Bank International, PJSC (now Emirates NBD) |         | Habib Bank Limited                              |
|         | First Gulf Bank                                      |         | Hana Bank                                       |
|         | Habib Bank AG Zurich                                 |         | HSBC Bank                                       |
|         | Habib Bank Limited                                   |         | InterBusiness Bank, N.A.                        |
|         | HSBC Bank Middle East                                |         | International Finance Corporation (IFC)         |
|         | Kuwait Turkish Participation Bank Dubai Limited      |         | Israel Discount Bank of New York                |
|         | Mashreq Bank Limited                                 |         | JPMorgan Chase Bank                             |
|         | National Bank of Abu Dhabi                           |         | KeyBank National Association                    |
|         | National Bank of Dubai (now Emirates NBD)            |         | Malayan Banking Berhad                          |
|         | National Bank of Fujairah                            |         | Mashreq Bank Limited                            |
|         | Noor Islamic Bank                                    |         | Mizuho Corporate Bank Ltd.                      |
|         | Royal Bank of Scotland                               |         | National Bank of Pakistan                       |
|         | Standard Chartered Bank                              |         | National City Bank                              |
|         | Union National Bank                                  |         | New York Commercial Bank                        |
|         | United Arab Bank                                     |         | Nordea Bank Sweden AB (publ)                    |
|         | United Bank Limited (UBL)                            |         | PNC Bank  |
|         | AIB Bank   |         | Regions Bank (formerly Union Planters)          |
|         | Bank Mandiri (Europe) Ltd.                           |         | Royal Bank of Scotland (formerly ABN Amro Bank) |
|         | Bank of America, N.A.                                |         | Santander Central Hispano                       |
|         | Citibank NA  |         | Société Générale                                |
|         | Commerzbank  |         | Standard Chartered Bank                         |
|         | Commonwealth Bank of Australia                       |         | Sumitomo Mitsui Banking Corporation, The        |
|         | Deutsche Bank AG                                     |         | Suntrust Bank                                   |
|         | European Islamic Investment Bank (EIIB)              |         | U.S. Bank NA                                    |
|         | Gulf International Bank B.S.C.                       |         | United Bank Limited AG Zurich                   |
|         | Habib Bank AG Zurich                                 |         | Wells Fargo Bank NA (formerly Wachovia Bank)    |
|         | Habib Bank Limited                                   |         | Woori bank                                      |
|         | Habibsons Bank Limited                               |         | Deutsche Bank                                   |
|         | HSBC Bank  |         | J.P.Morgan Chase Bank NA                        |
|         | JPMorgan Chase Bank                                  |         | Vietnam Bank for Agriculture                    |
|         | KBC Bank NV  |         | Woori bank                                      |
|         | Korea Exchange Bank                                  | Yemen   | Saba Islamic Bank                               |
|         | Mashreq Bank Limited                                 |         | Shamil Bank of Yemen and Bahrain                |
|         | Merrill Lynch International Bank Limited             |         | United Bank Limited                             |
|         | Mizuho Corporate Bank Ltd., London                   |         |   |
|         | National Westminster Bank plc                        |         |   |
|         | Nordea Bank Sweden AB (publ)                         |         |   |
|         | Northern Bank Limited (Danske group)                 |         |   |
|         | Royal Bank of Scotland                               |         |   |
|         | Standard Chartered Bank                              |         |   |
|         | Sumitomo Mitsui Banking Corporation, The             |         |   |
|         | United National Bank (UBL & NBP)                     |         |   |
|         | Woori bank   |         |   |
| Ukraine | Prominvestbank                                       |         |   |
| Uruguay | Banco Itau   |         |   |
| USA     | Abacus Federal Savings Bank                          |         |   |
|         | Banco do Brasil S.A.                                 |         |   |
|         | Bangkok Bank Public Company Limited                  |         |   |
|         | Bank of America, N.A.                                |         |   |
|         | Bank of New York                                     |         |   |
|         | BNP Paribas USA - New York branch                    |         |   |
|         | Branch Banking & Trust Co                            |         |   |
|         | Brown Brothers Harriman and Co.                      |         |   |
|         | Calyon (formerly Credit Lyonnais)                    |         |   |
|         | Capital One, NA                                      |         |   |
|         | Cathay Bank  |         |   |
|         | Citibank NA  |         |   |
|         | Commerzbank  |         |   |
|         | Commonwealth Bank of Australia                       |         |   |
|         | Deutsche Bank  |         |   |
|         | Deutsche Bank Trust Company Americas                 |         |   |
|         | Doha Bank  |         |   |
|         | First Tennessee Bank, N.A.                           |         |   |
|         | Fortis Bank  |         |   |
|         | Gulf International Bank B.S.C.                       |         |   |



# Branch Network



Alhamdulillah, Meezan Bank has established 275 branches in 83 cities across Pakistan. This is a milestone that is not only the success story of Meezan Bank but also the continuing success story of Islamic banking in Pakistan. With this extensive network, our existing and potential customers are now closer than ever in attaining Islamic banking at their doorstep. All branches provide real time online banking facilities to customers.

As the first and largest dedicated Islamic bank in Pakistan, Meezan Bank's team continues to build on its Vision of establishing "Islamic banking the banking of first choice". One of the key objectives of the Bank is to have its footprint strategically placed throughout the country enabling the public to avail the benefits of Shariah-compliant banking in their neighbourhood.

The Bank is currently segmented into three major Regions of Pakistan. The cities in which the Bank presently operates are as follows:

## **Southern Region**

Hub (Lasbela)  
Hyderabad  
Karachi  
Mirpurkhas  
Moro  
Muslim Bagh  
Nawabshah  
Quetta  
Sakrand  
Sanghar  
Shahdadpur  
Sukkur  
Tando Adam  
Tando-Allah-Yar

## **Central Region**

Ahmedpur East  
Arifwala  
Bahawalnagar  
Bahawalpur  
Burewala  
Chichawatni  
Chiniot  
Cishtian  
Daska  
Dera Ghazi Khan  
Faisalabad  
Gojra  
Gujranwala  
Gujrat  
Hafizabad  
Haroonabad  
Hasilpur  
Jampur  
Jhang  
Kabirwala  
Kasur  
Khanewal  
Khanpur  
Kharian  
Khushab  
Lahore  
Lalamusa  
Lodhran  
Mandi Bahauddin  
Mian Channu  
Mianwali  
Multan  
Muzaffargarh  
Okara  
Pattoki  
Pirmahal  
Rahim Yar Khan  
Sadiqabad  
Sahiwal  
Sargodha  
Sheikhupura  
Sialkot  
Toba Tek Singh  
Vehari  
Wazirabad

## **Northern Region**

Abbottabad  
Attock  
Chakwal  
Charsadda  
Dadyal  
Dera Ismail Khan  
Dina  
Gujar Khan  
Haripur  
Havelian  
Islamabad  
Jhelum  
Kohat  
Mansehra  
Mardan  
Mirpur Azad Kashmir  
Muzaffarabad  
Nowshera  
Peshawar  
Rawalpindi  
Swabi  
Swat  
Timergara  
Wah Cantt

For 2012 Meezan Bank has planned to open an additional 35 branches in Pakistan. Meezan Bank's mission is to provide its customers dedicated and pure Islamic banking facilities with the greatest of convenience and personalized services. It remains the Bank's endeavour to establish solid foundations of Islamic banking in Pakistan.

## Southern Region

### Hub (Lasbela)

Hub Chowki Branch  
Hub City, District Lasbela, Balochistan.  
Tel: (92-853) 310252-3

### Hyderabad

Auto Bhan Branch  
Shop No 6 & 7 Boulevard Enclave Auto  
Bhan Road Latifabad No 3, Hyderabad  
Tel: (92-22) 3821291-98

Cloth Market Branch  
C/916/18, Guru Nagar, Hyderabad.  
Tel: (92-22) 2621341-2

Gari Khata Branch  
City Survey No. F/1054,  
Ward - F, Gari Khata, Hyderabad.  
Tel: (92-22) 2725671-2

Hyderabad Branch  
Saddar Bazar Cantonment, Hyderabad.  
Tel: (92-22) 2782772

Latifabad Branch  
3/D Commercial Area, Latifabad # 7, Hyderabad.  
Tel: (92-22) 3866964-65

Market Road Branch  
Market Road Hyderabad,  
Survey No. 2669, 2669/1, Ward "A",  
Market Road, Hyderabad.  
Tel: (92-22) 2638362-6

Qasimabad Branch  
Plot # QEA/R-6/03-4, 11-12, Housing Scheme  
No. 1, Main Road Qasimabad, Hyderabad.  
Tel: (92-22) 2670511-15

### Karachi

Abdullah Haroon Road Branch  
S/1, Plot No. P.R 2/31/5, Preedy Quarters,  
Abdullah Haroon Road, Karachi.  
Tel: (92-21) 3270-0143-5, 3270-0106, 3270-0109

Abul Hasan Isphani Road Branch  
Plot # 25-A, Main Abul Hasan Isphani Road,  
Azeem Khan Goth, Gulshan-e-Iqbal,  
Block 4-A, Karachi.  
Tel: (92-21) 34810729-32, 34810734-5

Al-Azam Plaza Super highway Branch  
Shop# 5(A,B) & 6(A,B), Ground Floor  
Sector 1-A, Gulzar-e-Hijri, Karachi.  
Tel: (92-21) 36365780

Al-Hilal Society Branch  
Nafees Arcade, Plot No.SC-14,  
Chandni Chowk, KDA Scheme No.7,  
Main University Road, Karachi.  
Tel: (92-21) 34124111 - 115

Al Tijarah Centre Branch  
S-8, Ground Floor, Al-Tijarah Centre,  
Block-6, PECHS, Shahr-e-Faisal, Karachi.  
Tel: (92-21) 34169030-34

Alamgir Road Branch  
Z-484, Block 3, Bahaduryar Jang  
Cooperative Housing Society,  
Alamgir Road, Karachi.  
Tel: (92-21) 34140968

Allama Iqbal Road Branch  
Mono Tower, Allama Iqbal Road,  
PECHS, Block 2, Karachi.  
Tel: (92-21) 34300996-7

Babar Market Landhi Branch  
2-A/167, 168 & 169, Baber Market,  
Landhi Township, Karachi.  
Tel: (92-21) 35011071-75

Bahadurabad Branch  
Adam Arcade, Plot No. 28,  
BMCH Society, Karachi.  
Tel: (92-21) 34145021, 34145017

Bait Ul Mukarram Branch  
Shop No. S - 3 & S - 4, Yasir Apartments,  
FL - 6, Block 16, Gulshan-e-Iqbal, Karachi.  
Tel: (92-21) 34839021-3

Barakat-e-Hyderi-Branch  
D10, Block H, North Nazimabad, Karachi.  
Tel: (92-21) 36705159

Bilawal Chowk Branch  
Plot No. Commercial 7/1,  
Green Belt Residency, Shop No. 4 & 5,  
Block 2, Scheme 5, Clifton, Karachi.  
Tel: (92-21) 35830628, 35830634, 35832083

Bin Qasim National Highway Branch  
Survey No.435, Deh Landhi, Taluka  
Bin Qasim Town, Karachi.  
Tel: (92-21) 35012376, 35012355, 35012357

Block-E North Nazimabad Branch  
Plot No.ST-4, Shop No A/D-66 & 67, Block "E"  
Hyderi, North Nazimabad Karachi.  
Tel: (92-21) 36724294-96

Boat Basin Branch  
Shop # 40-43, Commercial Sub  
Plot # FL-7/C/4 of Plot # 7,  
Block No. 5, Clifton, Karachi.  
Tel: (92-21) 35870330, 35870608,  
35870697, 35870687, 35870698

Bohrapir Branch  
Ranchore Quarter, Prince Street,  
Bohrapir, Karachi.  
Tel: (92-21) 32712915-918, 32712909

Buffer Zone Branch  
R-914, Sector-15-A/1, Buffer Zone,  
North Karachi, Karachi  
Tel: (92-21) 36965851-5

Clifton Branch  
Ground Floor, Al-Karam Centre, BC1,  
Block-7 Clifton, Main Clifton Road, Karachi.  
Tel: (92-21) 3537 2060-64

Cloth market Branch  
Atique Market, Bunder Quarters, Karachi.  
Tel: (92-21) 32418137-9

Dalton Market Branch  
Plot No.4-C, Dalton Market,  
Khayaban-e-Shamsheer, DHA Phase V, Karachi.  
Tel: (92-21) 35240811-815

DHA Phase I Branch  
Ground Floor, Plot No. 119,  
DHA Phase I, Korangi Road, Karachi.  
Tel: (92-21) 35396854-58

DHA Phase II-Extension Branch  
Plot # 69 & 71, Garibsons Building,  
12th Commercial Street,  
DHA Phase II Extension, Karachi.  
Tel: (92-21) 35311953-8

DHA Phase IV Branch  
Plot No. 57/C, 9th Commercial Street,  
DHA Phase IV, Karachi.  
Tel: (92-21) 35314861-4

Dhoraji Branch  
35/182, C.P. & Bearar Housing Society, Karachi.  
Tel: (92-21) 34860861-4

FB Area Branch  
C-12, Block 10, FB Area, Karachi.  
Tel: (92-21) 36805370-6

FTC Branch  
Ground Floor, Block B, FTC Building,  
Shahrah-e-Faisal, Karachi.  
Tel: (92-21) 35650771

Garden West Branch  
Shop # 9, 10, 11 & 12 (Amin Centre),  
Plot Survey # 130/1, Sheet No. G-R-2,  
Garden West, Karachi.  
Tel: (92-21) 32241383-87

Gizri Branch  
Plot No. K-7/9 Gizri Chaudhry  
Khalique-uz-zaman Colony Bakhshan  
village Bazar Area Clifton Karachi.  
Tel: (92-21) 35865670-674

Gulbai SITE Area Branch  
Plot # C-25, Gulbai, SITE Area, Karachi.  
Tel: (92-21) 32594711-5

Gulberg Branch  
Shop No.7, A-94, Block-18,  
F.B. Area, Karachi.  
Tel: (92-21) 36829112-4

Gulistan-e-Jauher Branch  
Plot # ST -9, Block 15, Scheme 36,  
Gulistan-e-Jauher, Karachi.  
Tel: (92-21) 34030251-54

Gulshan Block 2 Branch  
Ground Floor Arif Residency,  
Plot # SB 08, Gulshan -e-Iqbal Block 2,  
Near Rab Medical Centre, Karachi.  
Tel: (92-21) 34971232

# Branch Network



**Gulshan Chowranghi Branch**  
Sub Plot No 5-A/1-10, Plot # FL-5, Block 3,  
Gulistan-e-Erum, Gulshan-e-Iqbal, Karachi.  
Tel: (92-21) 34811849, 34813967

**Gulshan-e-Iqbal Branch**  
B-41, Block No. 13-A, KDA Scheme 24,  
University Road, Gulshan-e-Iqbal, Karachi.  
Tel: (92-21) 34811901-6

**Gulshan-e-Maymar Branch**  
A-102 Shop # 1 & 2 SB, 1 Sector X - IV,  
Opposite Roman Fountain Park.  
Scheme -4, Gulshan-e-Maymar, Karachi.  
Tel: (92-21) 36350513-4-5

**Hub River Road Branch**  
Building No 06 Commercial Sector No 04  
Haroon Bahria Co Operative Housing Society  
Hub River Road Karachi  
Tel: (92-21) 32364236-39

**Hussainabad Branch**  
Block 3, Pakistan Memon Education &  
Welfare Society, Hussainabad, Karachi.  
Tel: (92-21) 36320461-62 & 36320467

**I.I. Chundrigar Road Branch**  
Shop No. 9 & 10, Gul Tower,  
I.I. Chundrigar Road, Karachi.  
Tel: (92-21) 32423676

**Jamshed Road Branch**  
Plot No. 713/6, Shaheen Tower,  
Jamshed Quarters,  
M.A Jinnah Road Karachi.  
Tel: (92-21) 34923281-85

**Jodia Bazar Branch**  
H-91 A, Darya Lal Street, Jodia Bazaar, Karachi.  
Tel: (92-21) 32473326-9

**Joffa Towers Branch**  
SB-23 & 24, Office # G2, 102, 103 & 104,  
Joffa Towers, Main University Road,  
Block-13 C, Gulshan-e-Iqbal, Karachi.  
Tel: (92-21) 34830141-45

**Katchi Gali No.2 Branch**  
No. G-1, situated at Katchi Gali No. 2,  
Marriot Road, Karachi.  
Tel: (92-21) 32443526-27

**K.A.E.C.H.S Branch**  
Plot No. SA/49 (Commercial), Block-4,  
Karachi Administration Employees  
Cooperative Housing Society, Karachi.  
Tel: (92-21) 34302911-5

**Kharadar Branch**  
Shop No.1, Ground Floor,  
Al-Fatima Plaza, Paria Street,  
Ghulam Hussain Kassam Quarters, Kharadar.  
Tel: (92-21) -3231-6510-14

**Khayaban-e-Bukhari Branch**  
Shop # 1-2 & Mezanine Floor,  
Plot No. 22-C, Khayaban-e-Bokhari,  
Phase VI, DHA, Karachi  
Tel: (92-21) 35243561-65

**Khayaban-e-Sehar Branch**  
9-C, Shahbaz Commercial. Lane 1,  
Khayaban-e-Sehar, Phase VI, DHA, Karachi.  
Tel: (92-21) 35349307-13, 35349316-18

**Khayaban-e-Shamsheer Branch**  
3-C, Khayaban-e-Shamsheer,  
Phase V Ext., D.H.A, Karachi.  
Tel: (92-21) 35247600-4

**Korangi Branch**  
Plot No. LS 3, ST-3/1, Sector No. 15, Korangi  
Industrial Area, Karachi.  
Tel: (92-21) 35114324-5, 35114281, 35114279

**Korangi II Branch**  
Q 37, Sector 33-A, Main Road Korangi, Karachi.  
Tel: (92-21) 35059215-16

**Lea Market Branch**  
Plot No. 3/20, Khajoor Bazar, Lea Market,  
Karachi.  
Tel: (92-21) 32521650-4

**Liaquatabad Branch**  
No.18, Plot No. 1/19, S.M.Taufiq Road,  
Liaquatabad, Karachi.  
Tel: (92-21) 34125673

**Marriott Hotel Branch**  
Marriott Hotel, Abdullah Haroon Road, Karachi.  
Tel: (92-21) 35683491

**Model Colony Branch**  
Plot No.06, Survey No.N-55, Tina Square,  
Model Colony, Malir, Karachi.  
Tel: (92-21) 34492445-7

**Muhammad Ali Society Branch**  
Fatima Jinnah Street, Muhammad Ali Housing  
Society, Karachi.  
Tel: (92-21) 34301863-4

**Nazimabad No. 3 Branch**  
3-A-1/13 Nazimabad No. 3, Karachi.  
Tel: (92-21) 36707431-34

**New Challi Branch**  
Fakhri Trade Centre, Plot No. SR – 6/10,  
Shahra-e-Liaquat, New Challi, Karachi.  
Tel: (92-21) 32602121-126

**North Karachi Branch**  
Plot # SA-6 (ST-8), 11-C-1, North Karachi,  
Karachi.  
Tel: (92-21) 36965051-55

**North Karachi Industrial Area Branch**  
Plot No.1-A, Sector 12-C, North Karachi  
Township, Karachi.  
Tel: (92-21) 36963117-21

**North Napier Road Branch**  
Shop No.12, Poonawala Trade Tower, Main North  
Napier Road, Karachi.  
Tel: (92-21) 32713530-34

**North Nazimabad Block-M Branch**  
Plot No.SB-2, Block-M,  
North Nazimabad, Karachi.  
Tel: (92-21) 36627054-55

**North Nazimabad Branch**  
Shop# 9-12, Sub-plot# SC14-3, plot# SC-14,  
Block-F, KDA Scheme NO.2, Samar Residency,  
North Nazimabad, Karachi.  
Tel: (92-21) 36723549-554

**Orangi Town Branch**  
Plot # LS-15, Sector 6-E,  
Orangi Town, Karachi  
Tel: (92-21) 36694370-74

**Pakistan Chowk Branch**  
Ground Floor, Plot # 08, Survey Sheet # RB-5,  
Pakistan Chowk Arambagh Road, Karachi.  
Tel: (92-21) 32219651-656

**Plaza Quarters Branch**  
Plaza Square Karachi, Bombay Building, City  
Survey No. 37/22, Off M.A. Jinnah Road,  
Karachi.  
Tel: (92-21) 32751560, 32751124, 32751132,  
32751106

**PNSC Branch**  
Ground floor at 37- A, Lalazar Area,  
Off M.T. Khan Road, Karachi.  
Tel: (92-21) 35636240-54

**Rashid Minhas Road Branch**  
Ground Floor, Aqsa Tower, Block-C, Rashid  
Minhas Road, KDA Scheme No.33, Karachi.  
Tel: (92-21) 34978062, 34978064,

**Saddar Branch**  
Saddar Bazar Quarters,  
Raja G. Ali Khan Road, Karachi.  
Tel: (92-21) 35224601-05

**Safora Chowk**  
Shop # 3, 4, 5 & 6, Ground Floor, Prime Tower,  
Plot # SB-20, Block 7, KDA Scheme No 36,  
Safora Chowk, Gulistan-e-Jauhar, Karachi.  
Tel: (92-21) 34660661-65

**Shahrah-e-Faisal Branch**  
29-A, Ground Floor, Sabah Palace,  
P.E.C.H.S. Block 6, Shahrah-e-Faisal, Karachi.  
Tel: (92-21) 34322186-90

**Shah Faisal Colony Branch**  
CB-33, Al Falah Society,  
Shah Faisal Colony, Karachi  
Tel: (92-21) 34686271-3, 34600601-2

**Shamsi Society Branch**  
CM 44 & 45, Ground floor, Shamsi Cooperative  
Housing Society, Malir Halt, Karachi.  
Tel: (92-21) 34682405-07

**Shireen Jinnah Colony Branch**  
Plot no ST-4B block 1,  
Shireen Jinnah Colony, Karachi.  
Tel: (92-21) 35833025, 35836758, 35836780

**Sir Syed Road Branch**  
Plot no. 152-S, Ground Floor,  
Sir Syed Road, Block 2, PECHS, Karachi  
Tel: (92-21) 35143500-04

**S.I.T.E Branch**  
Plot No. B/9-C, Estate Avenue,  
SITE Area, Karachi.  
Tel: (92-21) 32550328-31

**SITE II Branch**  
Property # H-6 Site Survey Sheet No 21,  
Survey Sheet No 35 P/1-35 L/ 13, SITE, Karachi.  
Tel: (92-21) 32584850-53, 58-59

**Urdu Bazar Branch**  
Shops No. 11 & 12, Anfal Centre,  
Plot No. RB-9/1, Rambagh Quarters,  
Urdu Bazar, Karachi.  
Tel: (92-21) 32603031-35

**Water Pump Branch**  
Plot No. BS-13, Block-14,  
Federal B. Area, Karachi.  
Tel: (92-21) 36332443, 36332523

**Mirpurkhas**  
Mirpurkhas Branch  
Plot # 15, Ward No. A, Adam Mohallah Town at  
Umerkot Road, Mirpurkhas.  
Tel: (233) 876103,08

**Moro**  
Moro Branch  
Property No. 60 Ward 13  
Main Road National Highway Moro.  
Tel: (92-242) 411008-14

**Muslim Bagh**  
Muslim Bagh Branch  
Shop No 40 - 41,  
School Road Muslim Bagh.  
Tel: (92-823) 669592-593

**Nawabshah**  
Nawabshah Branch  
Plot # 573, Ground Floor, Ward "B", Katcheri  
Road, Nawabshah.  
Tel: (92-244) 330902-6

**Quetta**  
Liaquat Bazar Branch  
Khasra No. 155, Ward 22, Tappa Urban 1,  
Najeebullah Street, Liaquat Bazar, Quetta.  
Tel: (92-81) 2840195-16

**Mannan Chowk Branch**  
Mannan Chowk, Jinnah Road, Quetta.  
Tel: (92-81) 2829470-2

**Mission Road Branch**  
Shop No 1-30/51 & 1-30/52 Mission Road  
Opposite Palace Bakery Quetta  
Tel: (92-81) 2832851-55

**Munsafi Road Branch**  
2-17/16 Munsafi Road, Quetta.  
Tel: (92-81) 2845593-4

**Sirki Road Branch**  
Shop No. 1 & 2, Kasi Complex, Sirki Road, Quetta.  
Tel: (92-81) 2454222-3

**Shahdadpur**  
Shahdadpur Branch  
Property No.293/1, Ward-C, Station Road  
Shahdadpur.  
Tel: (92-235) 842952-53

**Sakrand**  
Sakrand Branch  
Deh. 18, Taluka City Sakrand,  
District Nawabshah.  
Tel: (92-244) 322047-54-56-57

**Sanghar**  
Sanghar Branch  
Property No.124 / A-1,  
Housing Society Town, Sanghar.  
Tel: (92-235) 543662-3

**Sukkur**  
March Bazar Branch  
C-45, Station Road, Sukkur.  
Tel: (92-71) 5620771-3

**Sukkur Branch**  
3-45, Ward-C, Station Road, Sukkur.  
Tel: (92-71) 5617192-94

**Tando Adam**  
Tando Adam Branch  
Muhammad Chowk,  
Tando Adam, District Sanghar.  
Tel: (92-235) 576565-66

**Tando Allahyar**  
Tando Allahyar Branch  
Survey No. 1610/07, Opposite General Bus Stand,  
Tando Allahyar.  
Tel: (92-22) 3892021, 3891242

**Central Region**  
**Ahmed Pur East**  
Ahmed Pur East Branch  
Property # 338, Block # IV, Kutchery Road,  
Ahmed Pur East.  
Tel: (92-62) 2273261-62

**Arifwala**  
Arifwala Branch  
3-A, Lakkari Mandi, City Road, Arifwala.  
Tel: (92-457) 834502-3

**Bahawalnagar**  
Bahawalnagar Branch  
Shop # 12 Grain Market, Minchanabad Road  
Bahawalnagar.  
Tel: (92-63) 22 71611- 612

**Bahawalpur**  
Bahawalpur Branch  
Milad Chowk, Eidgah Road, Bahawalpur.  
Tel: (92-62) 2732145-7

**Burewala**  
Burewala Branch  
Multan Road, Opp. College Road, Burewala.  
Tel: (92-67) 3773751-4

**Chichawatni**  
Chichawatni Branch  
Property No. 278-279, Adjacent National Saving  
Centre, G.T. Road, Chichawatni.  
Tel: (92-405) 487601-03

**Chiniot**  
Sharah-e-Quaid-e-Azam Chiniot Branch  
P-468, AI-469 II,  
Shahrah-e-Quaid-e-Azam, Chiniot.  
Tel: (92-47) 6331103-4

**Chishtian**  
Chishtian Branch  
Plot # 109, B- Block,  
Opposite Ghalla Mandi Gate, Chishtian.  
Tel: (92-63) 2509301-302

**Daska**  
Daska Branch  
Rest House Chowk, Gujranwala Road, Daska.  
Tel: (92-52) 6612837-41

**Dera Ghazi Khan**  
Dera Ghazi Khan Branch  
Jampur Road, Dera Ghazi Khan.  
Tel: (92-64) 2474255-7

**Faisalabad**  
Bhowana Bazar Branch  
150-D .B V, Gole Bhowana Bazar, Faisalabad.  
Tel: (92-41) 2633042-4

**Clock Tower Branch**  
P-175 Clock Tower, Karkhana Bazar, Faisalabad.  
Tel: (92-41) 2606085-87

**Dijkot Road Branch**  
Shops# 68 & 69, Dijkot Road, Adjacent to Grain  
Market, Faisalabad.  
Tel: (92-41) 2416141-4

**Gole Cloth Kutchery Bazar Branch**  
P-54 Gole Cloth, Kutchery Bazar, Faisalabad.  
Tel: (92-41) 2610373-4

**Jhang Road Branch**  
Plot # S-29-30, Near Ayub Colony,  
Opposite Motor Market, Jhang Road  
Faisalabad.  
Tel: (92-41) 2650854-56

**Madina Town Susan Road Branch**  
Plot # 98/23, Madina Town, Susan Road,  
Faisalabad.  
Tel: (92-41) 8557141-43



# Branch Network



**Millat Chowk Branch**  
158-B-1 Gulistan Colony No 2,  
Millat Chowk, Faisalabad  
Tel: (92-41) 8784346-7

**Kotwali Road Branch**  
P-63 Kotwali Road, Faisalabad.  
Tel: (92-41) 2602587

**Peoples Colony Branch**  
1/A-II, Peoples Colony-1, Faisalabad.  
Tel: (92-41) 8555002-4

**Sargodha Road Branch**  
Plot No.654-656, Near Hafeez Plaza,  
Ali Town Sargodha Road, Faisalabad.  
Tel: (92-41) 8785151- 53

**Satyana Road Branch**  
P 719 Batala Colony, Main Satyana Road.  
Tel: (92-41) 8500715-20

**Serena Hotel Branch**  
Serena Hotel, Club Road, Faisalabad.  
Tel: (92-41) 2602595-7

**Gojra**  
Gojra Branch  
Ex Al Khalid Shopping Centre, Opposite Suriya  
Hospital, Tahsil Office Road, Gojra.  
Tel: (92-46) 3516272-3

**Gujranwala**  
Dal Bazar Branch  
Property # BII-19S-31, Near Chowk Chashma,  
Dal Bazar, Gujranwala.  
Tel: (92-55) 4227592-6

**Kashmir Plaza Branch**  
Kashmir Plaza, Near Ghalla Mandi G.T Road,  
Gujranwala.  
Tel: (92-55) 3847205-8

**Wapda Town Gujranwala Branch**  
Block No.13, Wapda Town, Gujranwala.  
Tel: (92-55) 4283902-5

**Gujrat**  
Gujrat Branch  
Amin Fan Building, G.T Road, Gujrat.  
Tel: (92-53) 3538104-7

**Hafizabad**  
Hafizabad Branch  
Sagar Road Branch, Hafizabad.  
Tel: (92-54) 7540811-2

**Haroonabad**  
Haroonabad Branch  
14-C, Grain Market, Haroon Abad.  
Tel: (92-63) 2251751-2

**Hasilpur**  
Hasil Pur Branch  
68/B, Baldia Road, Hasil Pur.  
Tel: (92-62) 2443300-1

**Jampur**  
Jampur Branch  
Indus Highway, Dera Road, Opposite Nadra  
Office, Jampur.  
Tel: (92-604) 569446-8

**Jhang**  
Rail Bazar Chowk Branch  
P-864, Block-9, Circular Road,  
Rail Bazar Chowk, Jhang  
Tel: (92-47) 7652203-4

**Yousaf Shah Road Branch**  
P- 5 Yousaf Shah Road ,  
Near Church Chowk, Jhang.  
Tel: (92-47) 7652101-3

**Kabirwala**  
Kabirwala Branch  
Property No. 162, Khanewal Road,  
Opposite PSO petrol Pump, Kabirwala.  
Tel: (92-65) 2400721-23

**Kasur**  
Kasur Branch  
216-9R-IV, Railway Road, Kasur.  
Tel: (92-492)2764999

**Khanewal**  
Khanewal Branch  
Plot No. 624-625, Block # 8,  
Sir Syed Road, Khanewal  
Tel: (92-65) 2556625-27

**Khanpur**  
Khanpur Branch  
Kutchery Road, Khanpur.  
Tel: (92-68) 5577127-8

**Kharian**  
G.T Road Kharian Branch  
Ground Floor, Barakat Plaza,  
Main G.T Road, Kharian.  
Tel: (92-537) 533497-498

**Khushab**  
Katha Chowk Khushab Branch  
P-4106-27-1, Sargodha Road,  
Katha Chowk, Khushab.  
Tel: (92-454) 711683-84

**Lahore**  
Akbar Chowk Branch  
885-D, Akbar Chowk, Faisal Town, Lahore.  
Tel: (92-42) 35201425-26

**Akbari Mandi Branch**  
Outside Akbari Mandi, Circular Road, Lahore.  
Tel: (92-42) 37660967,69-70

**Allama Iqbal Town Branch**  
8, Hunza Block, Allama Iqbal Town, Lahore.  
Tel: (92-42) 35296701-5

**Azam Cloth Market Branch**  
19-Bismillah Block, Azam Cloth Market, Lahore  
Tel: (92-42) 37642011-13

**Bedian Road Branch**  
Khasra # 3799, Mauza LIDHAR,  
Main Bedian Road, Lahore.  
Tel: (92-42) 35749607-10

**Brandrath Road Branch**  
46 Brandrath Road, Lahore.  
Tel: (92-42) 37676388-92

**Bund Road Branch**  
Property No. SW XI 1-S-1/B/6,  
Main Bund Road Lahore.  
Tel: (92-42) 37482671-73

**Canal Bank Road, Mughalpura Lahore Branch**  
Plot # 125, St # 33, Naya Pul, Punj Pir Road,  
Canal Bank Road, Mughalpura Lahore.  
Tel: (92-42) 365543-44

**Cavalry Ground Branch**  
72-Commercial Area, Cavalry Ground,  
Lahore Cantt.  
Tel: (92-42) 36619780-3

**Circular Road Branch**  
141-Circular Road,  
Out side ShahAlam Gate, Lahore.  
Tel: (92-42) 37642001-4

**College Road Branch**  
6-2/C-1, College Road Township ,  
Lahore.  
Tel: (92-42) 35157184-6

**Cloth Market Branch**  
73-B, Kashmir Block,  
Azam Cloth Market, Lahore.  
Tel: (92-42) 37380461-5

**G.T Road Daroghawala Branch**  
Plot No.329-F, Main G.T Road,  
Daroghawala Lahore.  
Tel: (92-42) 36550501-3

**DHA Phase I Branch**  
167- G, DHA Phase I, Lahore.  
Tel: (92-42) 35742891-2

**DHA Phase III Branch**  
Plot No. 97-Y, DHA Phase III Commercial,  
Opposite Sheba Park, Lahore.  
Tel: (92-42) 35742582-3

**DHA Phase IV Branch**  
Plot # 85-CCA, Phase IV (Comm.),  
Defense Housing Authority, Lahore.  
Tel: (92-42) 35747761-2

**EME Housing Society Branch**  
Plot No.1 & 37, Block-D Commercial,  
EME Sector, DHA Lahore.  
Tel: (92-42) 37498956-8

**Gulberg Branch**  
60 - Main Boulevard Gulberg, Lahore.  
Tel: (92-42) 35879870-2



**Gulshan-e-Ravi Branch**  
Plot # 9, Block F, Gulshan-e-Ravi, Lahore.  
Tel: (92-42) 37404822-25

**Hall Road Branch**  
S-50-R-19, Hall Road, Lahore.  
Tel: (92-42) 37211806-8

**Ichra Branch**  
156-Main Ferozepur Road, Ichra, Lahore.  
Tel: (92-42) 37522989-91

**Islampura Branch**  
Property # 61 Main Bazar, Islampura, Lahore  
Tel: (92-42) 37117463-64

**Johar Town Branch**  
63/R-1, M.A Johar Town Branch, Lahore.  
Tel: (92-42) 35314631-34

**Karim Block Branch**  
Baig Plaza, 21 Commercial Zone, Karim Block,  
Allama Iqbal Town, Lahore.  
Tel: (92-42) 35296701-5

**Main Boulevard Branch**  
Shop # 5 & 6, Ground Floor, Usman Arcade,  
Main Boulevard, DHA, Lahore.  
Tel: (92-42) 36621482-4

**McLeod Road Branch**  
SE-10-R-2/12, Nihal Chand Building,  
McLeod Road Lahore.  
Tel: (92-42) 36284501-04

**Model Town C Block Branch**  
181-Model Town, C Block, Lahore.  
Tel: (92-42) 345844201-4

**Model Town, Link Road Branch**  
39-40, New Liberty Tower(opp. Pace),  
Model Town Link Road, Lahore.  
Tel: (92-42) 35942356-7

**Moon Market Allama Iqbal Town Branch**  
Plot No 9, Al-Faisal Plaza Moon Market Allama  
Iqbal Town, Lahore.  
Tel: (92-42) 35427936-40

**New Garden Town Branch**  
Ground Floor, Ibrahim Centre, 1-Aibak Block,  
New Garden Town, Lahore.  
Tel: (92-42) 35941474-77

**Peco Road Badami Bagh Branch,**  
35-Peco Road, Badami Bagh, Lahore.  
Tel: (92-42) 37369610-13

**Punjab Cooperative Housing Society Branch**  
66-F, Phase I, Punjab Co-operative Housing  
Society, Ghazi Road, Lahore Cantt.  
Tel: (92-42) 35924683-4

**Q-Block DHA Phase II Branch**  
295-Q Commercial Area,  
Phase II DHA, Lahore.  
Tel: (92-42) 35708324-7

**Qartaba Chowk Branch**  
Qartaba Chowk, Temple Road,  
Rehman Chamber, Lahore.  
Tel: (92-42) 37112404, 37112406-10

**Quaid-e-Azam Industrial Estate Branch**  
169 - S, Quaid-e-Azam Industrial Estate,  
Kot Lakhpat, Lahore.  
Tel: (92-42) 35215765

**Ravi Road Branch**  
33, Main Ravi Road,  
Opposite Bilal Masjid, Lahore.  
Tel: (92-42) 37706835-37

**Saddar Bazar Lahore Branch**  
Property No. 1184 Dubai Chowk,  
Main Tufail Road Saddar Bazar Lahore.  
Tel: (92-42) 36622824-26

**Samanabad Branch**  
Plot No.210, Main Poonch Road,  
Samanabad Lahore.  
Tel: (92-42) 37587213 - 215

**Shad Bagh Branch**  
13-A, Tajpura Chowk, Near PTCL exchange,  
Shad Bagh, Lahore.  
Tel: (92-42) 37600667-9

**Shadman Colony Branch**  
91 Shadman Colony - 1, Shadman, Lahore.  
Tel: (92-42) 37522976 - 9

**Shahdra Branch**  
113 G.T. Road, Lahore.  
Tel: (92-42) 37921266-7

**Shahalam Market Branch**  
D-2050, Fawara Chowk,  
Inside Shahalam Market, Lahore.  
Tel: (92-42) 37377340 - 43

**Shalimar Garden Branch**  
Chowk Shalimar Bagh, G.T Road,  
Baghban Pura, Lahore  
Tel: (92-42) 36846584-8

**Thokar Niaz Baig Branch**  
Ahmed Centre,  
1.5 KM Raiwand Road, Lahore.  
Tel: (92 42) 37516128-30

**Urdu Bazar Branch**  
4-Kabeer Street, Urdu Bazar, Lahore.  
Tel: (92-42) 37116684-7

**Walton Road Branch**  
E-29/21-A, Bank Stop,  
Walton Road, Lahore.  
Tel: (92-42) 36626602-5

**WAPDA Town Chowk Branch**  
Plot No. 429, Block-E, Main Boulevard, P.I.A  
Employees Co-operative Housing Society,  
Wapda Town Chowk, Lahore.  
Tel: (92-42) 35211591-94

**Zarrar Shaheed Road Branch**  
Khasra #3939 / 3296, Block-B, Al-Faisal Town,  
Zarrar Shaheed Road, Lahore Cantt.  
Tel: (92-42) 36674862

## Lalamusa

**Lalamusa Branch**  
Col. Plaza, Plot No.9, Camping Ground,  
G.T. Road, Lalamusa.  
Tel: (92-53) 513022, 7513032

## Lodhran

**Lodhran Branch**  
Plot No.493-A, A-1, A-2/5H, Ghosia Chowk,  
Multan Bahawalpur Road, Lodhran.  
Tel: (92-608) 364797-98

## Mandi Bahauddin

**Mandi Bahauddin Branch**  
Plot No 5/181 ward No 5, Outside Ghallah Mandi,  
Near Tawakli Masjid,  
Mandi Bahauddin.  
Tel: (92-546) 520931-33

## Mian Channu

**Mian Channu Branch**  
17-B, Ghazi More, G.T. Road,  
Mian Channu.  
Tel: (92-65) 2662001-3

## Mianwali

**Mianwali Branch**  
Property No.D-3-4/A, Ballo Khel Road, Mianwali.  
Tel: (92-459) 233305-9

## Multan

**Bosan Road Branch**  
Chungi No. 9, Lawyers Colony,  
Bosan Road, Multan.  
Tel: (92-61) 6210090-92

**Chowk Shaheedan Branch**  
Property # 3493, Chowk Shaheedan, Multan.  
Tel: (92-61) 4502906-09

**Gulgasht Branch**  
437/C Gulgasht Colony, Multan.  
Tel: (92-61) 6511931-2

**Hussain Agahi Branch**  
Property # 2560,  
Ward # 10, Hussain Agahi Road, Multan.  
Tel: (92-61) 4512206-07

**Old Bahawalpur Road Branch**  
Mehtar Fatima Tower,  
Opp. Multan High Court,  
Old Bahawalpur Road, Multan.  
Tel: (92-61) 4785604-7

**Shah Rukn-e-Alam Branch**  
Shop # 26-27, Block F,  
Main Market, T-Chowk, Shah Rukn-e-Alam  
Colony, Multan.  
Tel: (92-61) 6784324-5

# Branch Network



Vehari Road Branch  
Rehman Commercial Centre, Near Grain Market,  
Vehari Road, Multan.  
Tel: (92-61) 6244153-5

**Muzaffargarh**  
Muzaffar Garh Branch  
Property No. 470, Block # IV, Hakeem Plaza,  
Multan Road, Muzaffargarh.  
Tel: (92-662) 428708-10

**Okara**  
Okara Branch  
MA Jinnah Road, Okara.  
Tel: (92-44) 2521935-7

**Pattoki**  
Pattoki Branch  
Shop No. 09-11, Abdullah Centre, Opposite  
Ghalla Mandi, Shahrah-e-Quaid-e-Azam,  
Pattoki. Tel: (92-49) 4421025-28

**Pir Mahal**  
Pir Mahal Branch  
Plot No. P-10-11, Kousar Abad,  
Chak Abadi 779-GB, Qasba Pir Mahal.  
Tel: (92-46) 3367601-607

**Rahim Yar Khan**  
Rahim Yar Khan Branch  
17, 18 City Centre, Rahim Yar Khan.  
Tel: (92-68) 5887603-4

**Sadiqabad**  
Sadiqabad Branch  
31-D Main Bazar, Sadiqabad.  
Tel: (92-68) 5701207-8

**Sahiwal**  
Sahiwal Branch  
276-B-I, Alpha Tower, High Street, Sahiwal.  
Tel: (92-40) 4465009 / 4466592

**Sargodha**  
Muslim Bazar Branch  
12-Block Chowk, Muslim Bazar, Sargodha.  
Tel: (92-48) 3741609-13

Sargodha Branch  
91 Civil Lines, University Road, Sargodha.  
Tel: (92-48) 3741608-10

Satellite Town Branch  
Plot No. 34 Block-C, Main Chowk,  
Satellite Town, Sargodha  
Tel: (92-48) 3223731-35

**Sheikhupura**  
Sheikhupura Branch  
Civic Center, Sargodha Road, Sheikhupura.  
Tel: (92-56) 3813360-2

**Sialkot**  
Kashmir Road Branch  
Kashmir Road, Sialkot.  
Tel: (92-52) 4295301-3

Kutchery Road Branch  
Kutchery Road, Sialkot.  
Tel: (92-52) 4263461

**Toba Tek Singh**  
Toba Tek Singh Branch  
P-103 Farooq Road, Toba Tek Singh  
Tel: (92-46) 2513765-6

**Vehari**  
Karkhana Bazar Vehari Road Branch  
Plot No. 23, Block-A,  
Karkhana Bazar, Vehari.  
Tel: (92-67) 3366031-33

**Wazirabad**  
Wazirabad Branch  
Plot No. I-14S-37, Sialkot Road Wazirabad.  
Tel: (92-55) 6600313-14

**Northern Region**  
**Abbottabad**  
Abbottabad Branch  
Plot No. 843-846, Manshera Road, Abbottabad.  
Tel: (92-992) 344701-3

Abbottabad Branch  
PMC Chowk, Main Bazar, Abbottabad.  
Tel: (92-992) 341990 - 92

**Attock**  
Attock Branch  
B-143, Fawwara Chowk, Civil Bazar, Attock.  
Tel: (92-572) 701003-5

**Charsadda**  
Main Tangi Road Charsadda Branch  
Shop No. 1-2 Gul Market, Near Singer Pakistan  
Outlet, Main Tangi Road Charsadda.  
Tel: (92-91) 9220171-3

**Chakwal**  
Chakwal Branch  
B VI/4-A Bab-e-Chakwal, Talagang Road,  
Chakwal.  
Tel: (92-543) 543381-4

**Dadyal**  
Dadyal Branch  
Plot No. 313, Hussain Shopping Centre,  
Main Bazar Dadyal, Mirpur Azad Kashmir.  
Tel: (92-5827) 465881-83

**Dera Ismail Khan**  
Dera Ismail Khan Branch  
East Circular Road, Dera Ismail Khan.  
Tel: (92-966) 717257-8

**Dina**  
Dina Branch  
Al-Bilal Shopping Centre, Main Chowk,  
G.T. Road, Dina, Distt. Jhelum.  
Tel: (92-544) 636119-21

**Gujar Khan**  
Gujar Khan Branch  
B-III, 215-E, G.T. Road, Gujar Khan.  
Tel: (92-51) 3515679-83

**Haripur**  
Haripur Branch  
Rehana Plaza, G.T. Road, Haripur.  
Tel: (92-995) 627250 - 3

Main Bazar Branch  
Main Bazar, Near Sheranwala Gate, Haripur.  
Tel: (92-995) 615-103, 615-322

**Havelian**  
Havelian Branch  
Near Old TMA Office, Main Bazar Havelian,  
Distt. Abbottabad  
Tel: (92-992) 811501-03

**Islamabad**  
Aabpara Branch  
Plot # Ramna 6/1-4, Aabpara Market,  
Sector G-6, Islamabad.  
Tel: (92-51) 2603061-64

Barakahu Branch  
Fazal ul Haq Plaza, Main Murree Road,  
Baharakahu, Islamabad.  
Tel: (92-51) 2232881-82

F-6 Markaz Branch  
Ground & First Floor, Sethi Plaza, Super Market,  
F-6 Markaz, Islamabad.  
Tel: (92-51) 2601791-5

F-7 Jinnah Super Market Branch  
Unit No. 14, Plot No. 12-B, F-7 Markaz,  
Jinnah Super Market, Islamabad.  
Tel: (92-51) 2655001-04

F-8 Branch  
Panther Plaza, F-8 Markaz, Islamabad.  
Tel: (92-51) 2817403-05

F-10 Markaz Branch  
Plot No. 2-F, F-10 Markaz, Islamabad.  
Tel: (92-51) 2112762-63, 2112769, 2112733

F-11 Branch  
Shops# 2,3,9,10,11 &12, Ground Floor,  
Sardar Arcade, F-11 Markaz, Islamabad.  
Tel: (92-51) 2228384-5, 2228388-89

G-9 Markaz Branch  
21-B, G-9 Markaz, Islamabad.  
Tel: (92-51) 2285849-51

G-11 Branch  
Plot No.15, Penorama Arcade,  
G-11 Markaz, Islamabad.  
Tel: (92-51) 2830513-16

I-8 Branch  
Plot No.25, VIP Square,  
I-8 Markaz, Islamabad.  
Tel: (92-51) 4861389-92

I-9 Branch  
Plot No. 2/A, Industrial Area, I-9, Islamabad.  
Tel: (92-51) 4859644-47

## I-10 Branch

Shop # 7-10, Ground Floor, Ahmadel Plaza,  
Plot # 3-I, Sector I-10 Markaz, Islamabad.  
Tel: (92-51) 4432711-13

## Jinnah Avenue Branch

Plot # 37-B, Tahir Plaza, Jinnah Avenue,  
Blue Area, Islamabad.  
Tel: (92-51) 2276712-5, 2801112-5

## Jhelum

### Jhelum Branch

B-VI-24-S.II, Meher Plaza,  
Civil Lines, Jhelum.  
Tel: (92-544) 611751-5

## Kohat

### Kohat Branch

1st Floor, Jinnah Municipal Plaza, TMA,  
Near King Gate, Bannu Road-Kohat.  
Tel: (92-922) 523037-40

## Mansehra

### Lari Adda Branch

Near Madni Masjid, Lari Adda,  
Karakuram Highway, Mansehra.  
Tel: (92-997) 307640-42

### Mansehra Branch

Meezan Plaza, Near Markazi Jamia Masjid,  
Abbottabad Road.  
Tel: (92-997) 308315-18

## Mardan

### Mardan Branch

Bank Road, Mardan.  
Tel: (92-937) 9230561-3

### Par Hoti Branch

Malik Khalid Khan Market, Par Hoti, Mardan.  
Tel: (92-937) 560013-4

## Mirpur Azad Kashmir

### Mirpur Branch

Plot No. 123, Sector F/I,  
Sultan Plaza, Kotli Road, Mirpur Azad Kashmir.  
Tel: (92-5827) 438891-93

## Muzaffarabad

Madina Market Muzaffarabad A.K. Branch  
Mohallah Madina Market, Muzaffarabad.  
Tel: (92-5822) 920457-9, 920458-60

### Muzaffarabad Branch (AJK)

Secretariat Road, Sathra Muzaffarabad,  
Azad Jammu & Kashmir (AJK).  
Tel: (92-58810) 42154-56

## Nowshera

### Nowshera Branch

Shobra Hotel, G.T Road, Nowshera Cantt.  
Tel: (92-3) 613174-76

## Peshawar

### Charsada Road Branch

Property No.190, Opposite Al Hajj Market,  
Mirch Mandi, Charsadda Road, Peshawar.  
Tel: (92-91) 5270543-45

### Chowk Yadgar Branch

Mohmand Plaza, Naz Cinema Road,  
Peshawar City, Peshawar.  
Tel: (92-91) 9213950-2

### G.T. Road Branch

Al-Arif House, Near Al-Amin Hotel,  
GT Road, Peshawar.  
Tel: (92-91) 9214001-4

### Hayatabad Township Branch

Plot No. 08, Bilal Market, Sector D-1,  
Phase 1, Hayatabad, Peshawar.  
Tel: (92-91) 5816163-65

### Karkhano Market Branch

Royal Shopping Plaza, Hayatabad, Peshawar.  
Tel: (92-91) 5893471-4

### Khyber Bazar Branch

Plot # 78, Shoba Chowk ,  
Khyber Bazar, Peshawar.  
Tel: (92-91) 2564019-21

### Saddar Road Branch

6 Saddar Road, Peshawar Cantt, Peshawar.  
Tel: (92-91) 9213471-5

### University Road Branch

Khattak Plaza, University Road, Peshawar.  
Tel: (92-91) 5703400-02

## Rawalpindi

### Adyala Road Branch

Ground Floor, Daulat Plaza,  
Near Dhaman Morh,  
Main Adyala Road Rawalpindi.  
Tel: (92-51) 5574880-82

### Bahria Town Branch

Bahria Heights, Bahria Town, Phase-1 Rawalpindi.  
Tel: (92-51) 5730171-3

### Bank Road Branch

No. 47/62, Bank Road Saddar, Rawalpindi.  
Tel: (92-51) 9273404-6

### Bohar Bazar Branch

D-327, Hakim Muhammad Amjal Khan Road,  
Bohar Bazar, Rawalpindi.  
Tel: (92-51) 5778875, 5778834

### Chaklala Scheme III Branch

Plot # 38, Bazar Area, Chaklala Housing Scheme  
No.III, Rawalpindi Cantt.  
Tel: (92-51) 5766435-8

### Chandni Chowk Branch

Umer Farooq Plaza, Block C, Satellite Town,  
Chandni Chowk, Murree Road, Rawalpindi.  
Tel: (92-51) 4851046-49

### G.T Road Tarnol Branch

Khan Malook, Wazir Plaza, G.T. Road, Turnol,  
Rawalpindi.  
Tel: (92-51) 2226406

### Jinnah Road Branch

Property No. 167, Commercial Area,  
Mohan Pura, Jinnah Road - City Saddar Road,  
Rawalpindi City.  
Tel: (92-51) 5778511-12

### Kalma Chowk Branch

Ground Floor, Rajco Plaza, Kalma Chowk,  
Kamala Abad, Rawalpindi.  
Tel: (92-51) 568-4491-2

### Muslim Town Branch

B-IV, 628-629 Chirah road ,  
Muslim Town, Rawalpindi.  
Tel: (92-51) 4476013

### Peshawar Road Branch

61-A, Chour Chowk, Rawalpindi.  
Tel: (92-51) 5469543-4

### Saidpur Road Branch

Plot NO CA-294/A Chistiabad, Shabbir Plaza,  
Near Siddiqui Chowk, Saidpur Road Rawalpindi.  
Tel: (92-51) 4416215-17

## Sawabi

### Sawabi Branch

Amjad Mughalbaz Khan Plaza,  
Near TMA Office Mardan Road, Sawabi  
Tel: (92-938) 222704-6

## Swat

### Mingora Branch

Makanbagh Chowk, Mingora Swat.  
Tel: (92-946) 714316-18

## Timergara

### Timergara Branch

Al-Imran Hotel G.T Road  
Timergara Bazar, Timergara.  
Tel: (92-945) 825271-73

## Wah Cantt

### Wah Cantt Branch

Ground Floor, Mall View Plaza, Mall Road,  
Wah Cantt.  
Tel: (92-51) 4530584-6

The Company Secretary  
**Meezan Bank Limited**  
Meezan House,  
C-25, Estate Avenue S.I.T.E.,  
Karachi.

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of **Meezan Bank Limited** and holder of \_\_\_\_\_ ordinary shares as per Share Register Folio No. \_\_\_\_\_ and/or CDC Investor Account No. / CDC Participant I.D No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_ do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote and act for me/us on my/our behalf at the 16th Annual General Meeting of Meezan Bank Ltd. to be held on Thursday, March 29, 2012 at Meezan House, C-25, Estate Avenue S.I.T.E., Karachi, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Witness:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

Please affix  
Rupees five  
revenue  
stamp

Signature of Member(s)

**NOTES:**

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the company.

The Company Secretary  
**Meezan Bank Limited**  
Meezan House, C-25,  
Estate Avenue, SITE,  
Karachi, Pakistan.

Please affix  
correct  
postage





**Meezan Bank**  
The Premier Islamic Bank

Head Office: Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.  
PABX: (92-21) 38103500 UAN: 111-331-331  
[www.meezanbank.com](http://www.meezanbank.com)