

MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

| | Note | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|---|------|----------------------------------|-----------------------------------|
| Rupees in thousands | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 3,045,272 | 1,509,804 |
| Balances with other banks | 7 | 3,686,763 | 2,750,998 |
| Due from financial institutions | | - | - |
| Investments - net | 8 | 7,771,648 | 5,769,675 |
| Islamic financing and related assets - net | 9 | 24,972,965 | 16,172,727 |
| Operating fixed assets | 10 | 2,403,616 | 2,104,250 |
| Deferred tax assets - net | 11 | 9,595 | - |
| Other assets - net | 12 | 377,565 | 261,048 |
| | | 42,267,424 | 28,568,502 |
| LIABILITIES | | | |
| Bills payable | | 330,276 | 447,776 |
| Due to financial institutions | 13 | 8,078,654 | 2,785,650 |
| Deposits and other accounts | 14 | 22,727,975 | 14,279,436 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities - net | 11 | - | 40,524 |
| Other liabilities | 15 | 917,095 | 749,243 |
| | | 32,054,000 | 18,302,629 |
| NET ASSETS | | <u>10,213,424</u> | <u>10,265,873</u> |
| REPRESENTED BY | | | |
| Share capital | 16 | 10,000,000 | 10,000,000 |
| Reserves | | 32,388 | 26,444 |
| Unappropriated profit | | 92,511 | 68,087 |
| | | 10,124,899 | 10,094,531 |
| Surplus on revaluation of assets - net of tax | | 88,525 | 171,342 |
| | | <u>10,213,424</u> | <u>10,265,873</u> |
| CONTINGENCIES AND COMMITMENTS | 17 | | |

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



CHAIRMAN



DIRECTOR

Ahmed E. Bushi -

DIRECTOR



PRESIDENT / CEO

MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Note | Quarter ended June 30, 2017 | Half Year ended June 30, 2017 | Quarter ended June 30, 2016 | Half Year ended June 30, 2016 |
|---|------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | | Rupees in thousands | | | |
| Profit / return earned | 18 | 435,457 | 818,067 | 487,571 | 868,358 |
| Profit / return expensed | 19 | 218,849 | 370,094 | 157,412 | 277,744 |
| Net spread earned | | 216,608 | 447,973 | 330,159 | 590,614 |
| (Reversal of provision) / provision against non-performing Islamic financing and related assets - net | 9.4 | (125) | (341) | 21,000 | 56,000 |
| Provision for diminution in the value of investments - net | | - | - | - | - |
| Bad debts written off directly | | - | - | - | - |
| | | (125) | (341) | 21,000 | 56,000 |
| Net spread after provisions | | 216,733 | 448,314 | 309,159 | 534,614 |
| Other income | | | | | |
| Fee, commission and brokerage income | | 13,424 | 22,576 | 8,085 | 17,035 |
| Dividend income | | 22,887 | 34,084 | 7,597 | 23,207 |
| Income from dealing in foreign currencies | | 6,190 | 13,299 | 5,724 | 9,042 |
| Gain on sale of securities - net | | 154,914 | 299,611 | 44,428 | 71,352 |
| Unrealized gain / (loss) on revaluation of investments classified as held for trading - net | | - | - | - | - |
| Other income | | 2,599 | 5,467 | 6,006 | 6,791 |
| Total other income | | 200,014 | 375,037 | 71,840 | 127,427 |
| | | 416,747 | 823,351 | 380,999 | 662,041 |
| Other expenses | | | | | |
| Administrative expenses | | 379,124 | 777,374 | 238,369 | 464,730 |
| Other provision - net | | - | - | - | - |
| Other charges | | 732 | 909 | 11,899 | 13,873 |
| Total other expenses | | 379,856 | 778,283 | 250,268 | 478,603 |
| Extra ordinary / unusual items | | - | - | - | - |
| Profit before taxation | | 36,891 | 45,068 | 130,731 | 183,438 |
| Taxation | | | | | |
| - Current | | (9,338) | (14,914) | (28,453) | (65,294) |
| - Prior periods | | - | - | - | (4,866) |
| - Deferred | | (7,489) | (436) | 22,286 | (11,165) |
| | | (16,827) | (15,350) | (6,167) | (81,325) |
| Profit after taxation | | 20,064 | 29,718 | 124,564 | 102,113 |
| | | Rupees | | | |
| Basic / diluted earnings per share | 20 | 0.020 | 0.030 | 0.125 | 0.102 |

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



CHAIRMAN



DIRECTOR

Ahmed El-Bashy -

DIRECTOR



PRESIDENT / CEO

MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Quarter ended June 30, 2017 | Half Year ended June 30, 2017 | Quarter ended June 30, 2016 | Half Year ended June 30, 2016 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | Rupees in thousands | | | |
| Profit after taxation for the period | 20,064 | 29,718 | 124,564 | 102,113 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive profit for the period transferred to equity | 20,064 | 29,718 | 124,564 | 102,113 |
| <i>Items that may be reclassified to profit and loss account</i> | | | | |
| Components of comprehensive income not reflected in equity | | | | |
| (Deficit) / surplus on revaluation of available for sale investments | (134,969) | (145,663) | 22,201 | (27,632) |
| Related deferred tax asset / (liability) | 47,239 | 50,982 | (7,770) | 9,671 |
| | (87,730) | (94,681) | 14,431 | (17,961) |
| Total comprehensive income / (loss) for the period | (67,666) | (64,963) | 138,995 | 84,152 |

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



CHAIRMAN



DIRECTOR

Ahmed Elbushra

DIRECTOR



PRESIDENT / CEO

MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Note | June 30, 2017 | 2016 |
|---|------|---------------------|--------------------|
| | | Rupees in thousands | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 45,068 | 183,438 |
| Less: Dividend income | | (34,084) | (23,207) |
| | | <u>10,984</u> | <u>160,231</u> |
| Adjustments for non-cash and other items | | | |
| Depreciation - Owned assets | | 43,540 | 22,581 |
| Depreciation - Ijarah assets | | 250,985 | 232,965 |
| Amortization | | 9,280 | 5,961 |
| (Reversal of provision) / provision against non-performing Islamic financing and related assets - net | 9.4 | (341) | 56,000 |
| Provision for diminution in the value of investments - net | 8.1 | - | - |
| Provision for Workers' Welfare Fund | | 901 | 3,875 |
| Unrealized loss on forward exchange contracts | | 147 | - |
| Loss on sale of fixed assets | | 22 | - |
| Gain on sale of securities - net | | (299,611) | (71,352) |
| | | <u>4,923</u> | <u>250,030</u> |
| | | <u>15,907</u> | <u>410,261</u> |
| (Increase) / decrease in operating assets | | | |
| Islamic financing and related assets | | (9,050,882) | (3,907,216) |
| Other assets - net | | (134,570) | (40,652) |
| | | <u>(9,185,452)</u> | <u>(3,947,868)</u> |
| Increase / (decrease) in operating liabilities | | | |
| Bills payable | | (117,500) | 530,039 |
| Due to financial institutions | | 5,293,004 | 4,878,825 |
| Deposits and other accounts | | 8,448,539 | 3,327,264 |
| Other liabilities | | 166,804 | (204,663) |
| | | <u>13,790,847</u> | <u>8,531,465</u> |
| | | <u>4,621,302</u> | <u>4,993,858</u> |
| Income tax paid | | (5,341) | (12,108) |
| Net cash generated from operating activities | | <u>4,615,961</u> | <u>4,981,750</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net investment in available for sale securities | | (5,241,398) | (1,387,756) |
| Dividend income received | | 42,564 | 30,719 |
| Proceeds from sale of available for sale securities | | 3,393,373 | 958,547 |
| Proceeds from sale of fixed assets | | 1,739 | - |
| Payment against demerger scheme | | - | (5,901,988) |
| Investment in operating fixed assets | 10.2 | (341,006) | (322,044) |
| Net cash used in investing activities | | <u>(2,144,728)</u> | <u>(6,622,522)</u> |
| Increase / (decrease) in cash and cash equivalents during the period | | <u>2,471,233</u> | <u>(1,640,772)</u> |
| Cash and cash equivalents at the beginning of the period | 21 | 4,260,802 | 7,045,582 |
| Cash and cash equivalents at the end of the period | | <u>6,732,035</u> | <u>5,404,810</u> |

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



CHAIRMAN



DIRECTOR

Ahmed Elbeshi
DIRECTOR



PRESIDENT / CEO

MCB ISLAMIC BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Share Capital | Statutory reserve | Revenue reserve | Unappropriated Profit | Total |
|---|-------------------|----------------------|--------------------|--------------------------|-------------------|
| Rupees in thousands | | | | | |
| Balance as at January 01, 2016 | 10,000,000 | 10,461 | - | 4,153 | 10,014,614 |
| Profit for the period ended June 30, 2016 | - | - | - | 102,113 | 102,113 |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - |
| Transfer to statutory reserves | - | 20,423 | - | (20,423) | - |
| Balance as at June 30, 2016 (Un-audited) | <u>10,000,000</u> | <u>30,884</u> | <u>-</u> | <u>85,843</u> | <u>10,116,727</u> |
| Loss for the period ended December 31, 2016 | - | - | - | (22,196) | (22,196) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - |
| Adjustment in statutory reserves | - | (4,440) | - | 4,440 | - |
| Balance as at December 31, 2016 (Audited) | <u>10,000,000</u> | <u>26,444</u> | <u>-</u> | <u>68,087</u> | <u>10,094,531</u> |
| Profit for the period ended June 30, 2017 | - | - | - | 29,718 | 29,718 |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | 650 | 650 |
| Transfer to statutory reserves | - | 5,944 | - | (5,944) | - |
| Balance as at June 30, 2017 (Un-audited) | <u>10,000,000</u> | <u>32,388</u> | <u>-</u> | <u>92,511</u> | <u>10,124,899</u> |

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.



CHAIRMAN



DIRECTOR



DIRECTOR



PRESIDENT / CEO

MCB ISLAMIC BANK LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

1 STATUS AND NATURE OF BUSINESS

- 1.1 MCB Islamic Bank Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 15, 2014 under the Companies Ordinance, 1984 to carry out the business of an Islamic commercial Bank in accordance and in conformity with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. The Securities and Exchange Commission of Pakistan granted "Certificate of Commencement of Business" to the Bank on January 30, 2015. The Bank is a wholly owned subsidiary of MCB Bank Limited (MCB).
- 1.2 The State Bank of Pakistan (SBP) granted a "Certificate of Commencement of Banking Business" to the Bank on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. The Bank formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015 upon receiving notification in this regard from 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.
- 1.3 The Bank is operating through 66 branches in Pakistan (December 31, 2016: 66 branches). The Registered Office of the Bank is situated at 59 Block T, Phase II, DHA, Lahore Cantt and Principal Office is situated at 339 Block Z, Phase III, DHA Lahore Cantt.
- 1.4 Pakistan Credit Rating Agency (PACRA) has maintained the Bank's medium to long-term rating as "A" and the short-term rating as 'A-1' with stable outlook.

2 BASIS OF PRESENTATION

- 2.1 The Bank provides financing through Shari'ah compliant financing products mainly through Murabaha, Istisna, Ijarah, Diminishing Musharaka, Running Musharaka and Export Refinance under Islamic Export Refinance Scheme.
- 2.2 The purchases and sales arising under these arrangements are not reflected in this condensed interim financial information as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such Islamic financing is recognised in accordance with the principles of Islamic Shari'ah and in accordance with regulations and guidelines of the State Bank of Pakistan. However, income, if any, received which does not comply with the principles of Islamic Shari'ah is recognised as charity payable if so directed by the Shari'ah Board of the Bank.

3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 and further clarified through its press release dated July 20, 2017, companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017, shall prepare financial statements in accordance with the provisions of Companies Ordinance, 1984. Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) 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 Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 or the directives issued by the SECP and the SBP differ from the requirements of IFRSs, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFASs notified under the Companies Ordinance, 1984 and the directives issued by SECP and SBP shall prevail.
- 3.2 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for a full set of annual financial statements and this condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2016.

3.3 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance

3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

3.4.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. The standard is effective from January 1, 2014 and deals with accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The SBP through BPRD Circular Letter No. 4 dated February 25, 2015, has deferred the applicability of IFAS 3 till further instructions.

3.4.2 There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting period beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant impact on the Bank's operations and are therefore not detailed in this condensed interim financial information.

4 BASIS OF MEASUREMENT

4.1 This condensed interim financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value in accordance with the requirements of the SBP.

4.2 Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgements adopted in this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2016.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the policy and method of computation stated below, the accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2016.

6.1 Islamic financing and related assets

6.1.1 Running Musharakah

In Running Musharakah financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in the customer's operating business where the funds can be withdrawn or refunded during the Musharakah period.

6.2 Revenue recognition

Profit on Running Musharakah financings is recognised on receipt basis and / or upon declaration of periodical results by Musharakah partners.

7 BALANCES WITH OTHER BANKS

In Pakistan

- deposit account

Outside Pakistan

- current account

| Note | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|------|----------------------------------|-----------------------------------|
| | Rupees in thousands | |
| 7.1 | 3,337,234 | 2,316,562 |
| | 349,529 | 434,436 |
| | <u>3,686,763</u> | <u>2,750,998</u> |

- 7.1 This represents modaraba based accounts carrying profit at rates ranging from 1.77% to 5.75% per annum (December 31, 2016: 0.6% to 5.64% per annum).

8 INVESTMENTS - NET

| Investments by types | Note | June 30, 2017 (Un-audited) | | | December 31, 2016 (Audited) | | |
|---|------|----------------------------|---------------------|-----------|-----------------------------|---------------------|-----------|
| | | Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |
| Rupees in thousands | | | | | | | |
| Available-for-sale securities | | | | | | | |
| Fully paid up ordinary shares - listed | | 1,873,051 | - | 1,873,051 | 1,096,829 | - | 1,096,829 |
| Sukuk certificates | | 4,897,923 | - | 4,897,923 | 3,526,509 | - | 3,526,509 |
| | | 6,770,974 | - | 6,770,974 | 4,623,338 | - | 4,623,338 |
| Held to maturity | | | | | | | |
| Sukuk certificates | | 1,150,000 | - | 1,150,000 | 1,150,000 | - | 1,150,000 |
| Investments at cost | | 7,920,974 | - | 7,920,974 | 5,773,338 | - | 5,773,338 |
| Less: Provision for diminution in the value of investments | 8.1 | - | - | - | - | - | - |
| Investments (net of provisions) | | 7,920,974 | - | 7,920,974 | 5,773,338 | - | 5,773,338 |
| Deficit on revaluation of investments classified as available-for-sale securities - net | | (149,326) | - | (149,326) | (3,663) | - | (3,663) |
| Total investments at market value | | 7,771,648 | - | 7,771,648 | 5,769,675 | - | 5,769,675 |

| | Note | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|--------------------------------|------|----------------------------------|-----------------------------------|
| Rupees in thousands | | | |
| 8.1 Particulars of provision | | | |
| Opening balance | | - | 18,621 |
| Charge for the period | | - | - |
| Reversals during the period | | - | - |
| Write offs / other adjustments | | - | (18,621) |
| Closing balance | | - | - |

9 ISLAMIC FINANCING AND RELATED ASSETS - NET

| | | | |
|---|-----|------------|------------|
| In Pakistan | | | |
| - Murabaha financing | | 4,489,998 | 2,719,939 |
| - Inventory held under Murabaha | | 8,563,319 | 4,987,296 |
| - Advances against Murabaha | | 644,080 | 804,071 |
| - Murabaha under Islamic Export Refinance Scheme (IERS) | | 86,999 | 87,003 |
| - Advances against Murabaha under IERS | | - | 299,650 |
| - Diminishing Musharakah | | 5,251,606 | 4,392,900 |
| - Advances against Diminishing Musharakah | | 1,497,861 | 1,222,733 |
| - Musharakah financing | | 260,050 | - |
| - Running Musharakah financing | | 1,953,028 | - |
| - Advances against Running Musharakah under IERS | | 537,000 | - |
| - Net book value of assets in Ijarah under IFAS 2 | 9.1 | 1,049,458 | 1,243,897 |
| - Advances against Ijarah | | 96,435 | 42,508 |
| - Istisna financing under IERS | | 101,233 | - |
| - Staff finance | 9.2 | 442,831 | 374,004 |
| Islamic financing and related assets - gross | | 24,973,898 | 16,174,001 |
| Provision against non performing Islamic financing and related assets | 9.4 | (933) | (1,274) |
| Islamic financing and related assets - net of provision | | 24,972,965 | 16,172,727 |

- 9.1 Net book value of Ijarah assets under IFAS 2 is net of accumulated depreciation amounting to Rs.924.813 million (December 31, 2016: Rs. 967.524 million).

(Un-audited) (Audited)
June December
30, 2017 31, 2016
Rupees in thousands

9.2 Staff finance

| | | |
|--|----------------|----------------|
| Staff housing finance under Diminishing Musharakah | 378,344 | 324,782 |
| Staff vehicle finance under Diminishing Musharakah | 64,487 | 49,222 |
| | <u>442,831</u> | <u>374,004</u> |

- 9.3 Islamic financing and related assets include Rs. 0.729 million (December 31, 2016: Rs. 1.029 million) which have been placed under non-performing status as detailed below:

| Category of classification | June 30, 2017 (Un-audited) | | | | |
|--|---|----------|-------|-----------------------------|-------------------------|
| | Classified Islamic financing and related assets | | | Specific Provision required | Specific Provision held |
| | Domestic | Overseas | Total | | |
| Rupees in thousands | | | | | |
| Other Assets Especially Mentioned (OAEM) | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | 729 | - | 729 | 729 | 729 |
| | 729 | - | 729 | 729 | 729 |

| Category of classification | December 31, 2016 (Audited) | | | | |
|--|---|----------|-------|-----------------------------|-------------------------|
| | Classified Islamic financing and related assets | | | Specific Provision required | Specific Provision held |
| | Domestic | Overseas | Total | | |
| | Rupees in thousands | | | | |
| Other Assets Especially Mentioned (OAEM) | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | 1,029 | - | 1,029 | 1,029 | 1,029 |
| | 1,029 | - | 1,029 | 1,029 | 1,029 |

9.4 Particulars of provision against non-performing Islamic financing and related assets

| | June 30, 2017 (Un-audited) | | | December 31, 2016 (Audited) | | |
|------------------------------------|----------------------------|-------------|--------------|-----------------------------|-----------------|-----------------|
| | Specific | General | Total | Specific | General | Total |
| | Rupees in thousands | | | | | |
| Opening balance | 1,029 | 245 | 1,274 | 1,129 | 94,282 | 95,411 |
| Charge for the period / year | - | - | - | - | 38 | 38 |
| Reversals during the period / year | (300) | (41) | (341) | (100) | (94,075) | (94,175) |
| | <u>(300)</u> | <u>(41)</u> | <u>(341)</u> | <u>(100)</u> | <u>(94,037)</u> | <u>(94,137)</u> |
| Write offs | - | - | - | - | - | - |
| Closing balance | 729 | 204 | 933 | 1,029 | 245 | 1,274 |

- 9.4.1 The Bank has maintained general provision at an amount equal to 1% of the fully secured performing portfolio of consumer and small enterprise financing as required by the Prudential Regulations issued by the SBP.

| | Note | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|--|------|-------------------------------------|-----------------------------------|
| | | Rupees in thousands | |
| 10 OPERATING FIXED ASSETS | | | |
| Capital work-in-progress | 10.1 | 689,845 | 804,094 |
| Property and equipment | | 1,615,407 | 1,192,512 |
| Intangible assets | | 98,364 | 107,644 |
| | | <u>2,403,616</u> | <u>2,104,250</u> |
| 10.1 It includes core banking system i.e. Flexcube amounting to Rs. 244,831 million (December 31, 2016: Rs. 205.290 million) and related hardware amounting to Rs. 39.326 million (December 31, 2016: 36.030 million). | | | |
| | | For the half year ended June 30, | |
| | | 2017 | 2016 |
| | | Rupees in thousands | |
| 10.2 Additions to operating fixed assets - cost | | | |
| Civil works | | 91,064 | 59,719 |
| Furniture and fixtures | | 13,154 | 1,326 |
| Office equipment | | 97,427 | 111,847 |
| Computer equipment | | 10,078 | 9,539 |
| Computer software | | 52,104 | 97,288 |
| Vehicles | | 13,795 | 1,243 |
| Advance to supplier and vendors | | 63,384 | 41,082 |
| | | <u>341,006</u> | <u>322,044</u> |
| 10.3 Disposals to operating fixed assets - cost | | | |
| Office equipment | | 112 | - |
| Computer equipment | | 164 | - |
| Vehicles | | 1,816 | - |
| | | <u>2,092</u> | <u>-</u> |
| | | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
| | | Rupees in thousands | |
| 11 DEFERRED TAX ASSETS / (LIABILITY) - NET | | | |
| Deductible temporary difference | | | |
| Workers welfare fund | | 1,112 | 798 |
| Unused tax losses | | 4,558 | 5,587 |
| Minimum tax | | 32,773 | 17,859 |
| Deficit on revaluation of available for sale investments - net | | 52,264 | 1,282 |
| | | <u>90,707</u> | <u>25,526</u> |
| Taxable temporary difference | | | |
| Surplus on revaluation of fixed assets | | (26,500) | (26,074) |
| Accelerated tax depreciation | | (54,612) | (39,976) |
| | | <u>(81,112)</u> | <u>(66,050)</u> |
| | | <u>9,595</u> | <u>(40,524)</u> |
| 12 OTHER ASSETS | | | |
| Profit / return accrued in local currency | | 233,838 | 82,575 |
| Advances, deposits, advance rent and other prepayments | | 47,298 | 64,877 |
| Advance taxation | | 61,894 | 71,467 |
| Dividend receivable | | 1,000 | 9,480 |
| Rental receivable | | 13,031 | 8,925 |
| Receivable against ATM transactions | | 13,326 | 21,725 |
| Stationary and stamps | | 2,185 | 1,766 |
| Others | | 4,993 | 233 |
| | | <u>377,565</u> | <u>261,048</u> |

| | Note | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|---|------|----------------------------------|-----------------------------------|
| | | Rupees in thousands | |
| 13 DUE TO FINANCIAL INSTITUTIONS | | | |
| In Pakistan | | 8,078,654 | 2,785,650 |
| Outside Pakistan | | - | - |
| | | <u>8,078,654</u> | <u>2,785,650</u> |

13.1 Details of due to financial institutions - Secured / Unsecured

Secured

| | | | |
|--|--------|---------|---------|
| Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme | 13.1.1 | 373,000 | 385,650 |
|--|--------|---------|---------|

Unsecured

| | | | |
|------------|--------|------------------|------------------|
| Musharakah | 13.1.2 | 7,705,654 | 2,400,000 |
| | | <u>8,078,654</u> | <u>2,785,650</u> |

13.1.1 This Musharakah is on a profit and loss sharing basis maturing between July 10, 2017 to August 31, 2017 (December 31, 2016: March 6, 2017 to June 26, 2017) and are secured against demand promissory notes executed in favour of the SBP. A limit of Rs. 1,500 million has been allocated to the Bank by the SBP under Islamic Export Refinance Scheme.

13.1.2 This represents Musharakah arrangements with banks carrying profit at rates ranging from 5.05% to 5.65% per annum (December 31, 2016: 5.05% to 5.30%) and having maturity till Aug 24, 2017 (December 31, 2016: March 03, 2017).

| | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|---------------------------------------|----------------------------------|-----------------------------------|
| | Rupees in thousands | |
| 14 DEPOSITS AND OTHER ACCOUNTS | | |
| Customers | | |
| Fixed deposits | 2,158,430 | 3,951,572 |
| Savings deposits | 10,856,765 | 4,920,369 |
| Current accounts - Non-remunerative | 6,291,524 | 3,124,174 |
| Margin deposits | 211,648 | 99,668 |
| | <u>19,518,367</u> | <u>12,095,783</u> |
| Financial institutions | | |
| Remunerative deposits | 3,143,593 | 2,183,638 |
| Non-remunerative deposits | 66,015 | 15 |
| | <u>3,209,608</u> | <u>2,183,653</u> |
| | <u>22,727,975</u> | <u>14,279,436</u> |

14.1 Particulars of deposits

| | | |
|-----------------------|-------------------|-------------------|
| In local currency | 22,310,050 | 14,013,771 |
| In foreign currencies | 417,925 | 265,665 |
| | <u>22,727,975</u> | <u>14,279,436</u> |

| | Note | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|---|--|----------------------------------|-----------------------------------|
| | | Rupees in thousands | |
| 15 OTHER LIABILITIES | | | |
| Profit / return payable in local currency | 15.1 | 140,650 | 67,623 |
| Profit / return payable in foreign currencies | | 906 | 608 |
| Accrued expenses | | 228,054 | 238,809 |
| Deferred Murabaha income under Islamic financing and related assets | | 173,408 | 43,815 |
| Advance receipt against Islamic financing and related assets | | 9,980 | 13,374 |
| Charity collection account | | 925 | 10,580 |
| Income received in advance | | 45,897 | 38,078 |
| Security deposits under Ijarah financing | | 281,109 | 301,901 |
| Withholding tax, Federal excise duty and other tax payable | | 6,442 | 7,308 |
| Unrealized loss on forward exchange contracts - net | | 147 | - |
| Others | | 29,577 | 27,147 |
| | | <u>917,095</u> | <u>749,243</u> |
| 15.1 | It includes Rs. 1.412 million (December 31, 2016: Rs. 1.198 million) in respect of profit / return accrued on Musharakah with the SBP under Islamic Export Refinance Scheme. | | |
| 16 SHARE CAPITAL | | | |
| 16.1 Authorized Capital | | | |
| | | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
| | | Numbers of shares | |
| | | <u>1,500,000,000</u> | <u>1,500,000,000</u> |
| | Ordinary shares of Rs. 10/- each | <u>15,000,000</u> | <u>15,000,000</u> |
| 16.2 Issued, subscribed and paid up capital | | | |
| | | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
| | | Numbers of shares | |
| | | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| | Fully paid in cash | <u>10,000,000</u> | <u>10,000,000</u> |
| 17 CONTINGENCIES AND COMMITMENTS | | | |
| 17.1 Transaction-related contingent liabilities | | | |
| Guarantees favouring - beneficiary | | | |
| - Government | | 1,370,872 | 1,004,070 |
| - Others | | 153,078 | 159,568 |
| | | <u>1,523,950</u> | <u>1,163,638</u> |
| 17.2 Trade-related contingent liabilities | | | |
| Import Letters of Credit | | 4,493,781 | 2,039,247 |
| Acceptances | | 63,316 | 39,505 |
| | | <u>4,557,097</u> | <u>2,078,752</u> |
| 17.3 Commitments in respect of forward exchange contracts | | | |
| Purchase | | <u>156,495</u> | <u>-</u> |
| Sale | | <u>7,593</u> | <u>-</u> |

| | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
|---|----------------------------------|-----------------------------------|
| | Rupees in thousands | |
| 17.4 Commitments for the acquisition of operating fixed assets | | |
| Acquisition of fixed assets | 82,877 | 129,690 |
| Acquisition of computer software | 7,940 | 17,561 |
| | <u>90,817</u> | <u>147,251</u> |

17.5 Commitments to extend credit

The Bank makes commitment(s) to extend credit in the normal course of business including related parties but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.

| | Quarter ended June 30, 2017 | Half Year ended June 30, 2017 | Quarter ended June 30, 2016 | Half Year ended June 30, 2016 |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | Rupees in thousands | | | |
| 18 PROFIT / RETURN EARNED | | | | |
| On financings to customers | 313,166 | 617,628 | 346,763 | 574,591 |
| On investments in | | | | |
| - available for sale securities | 58,511 | 101,267 | 23,608 | 47,176 |
| - held to maturity securities | 20,326 | 40,449 | 54,573 | 109,865 |
| | 78,837 | 141,716 | 78,181 | 157,041 |
| On deposits with financial institutions | 27,553 | 41,270 | 62,314 | 136,084 |
| On inter bank Musharakah / Wakala agreements | 15,901 | 17,453 | 313 | 642 |
| | <u>435,457</u> | <u>818,067</u> | <u>487,571</u> | <u>868,358</u> |
| 19 PROFIT / RETURN EXPENSED | | | | |
| On deposits and other accounts | 140,180 | 247,085 | 114,561 | 197,553 |
| On musharakah with the State Bank of Pakistan under Islamic export refinance scheme | 2,659 | 4,116 | 3,645 | 9,061 |
| On other short term fund - Musharakah / Wakala agreements | 76,010 | 118,893 | 39,206 | 71,130 |
| | <u>218,849</u> | <u>370,094</u> | <u>157,412</u> | <u>277,744</u> |
| 20 BASIC / DILUTED - EARNINGS PER SHARE | | | | |
| Profit after taxation for the period | <u>20,064</u> | <u>29,718</u> | <u>124,564</u> | <u>102,113</u> |
| | Numbers of shares | | | |
| Weighted average number of ordinary shares | <u>1,000,000,000</u> | <u>1,000,000,000</u> | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| | Rupees | | | |
| Basic / diluted earnings per share | <u>0.020</u> | <u>0.030</u> | <u>0.125</u> | <u>0.102</u> |

There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2017 and June 30, 2016.

| | For the half year ended June 30, | |
|---------------------------------------|-------------------------------------|------------------|
| | 2017 | 2016 |
| | Rupees in thousands | |
| 21 CASH AND CASH EQUIVALENTS | | |
| Cash and balances with treasury banks | 3,045,272 | 1,110,267 |
| Balances with other banks | 3,686,763 | 4,294,543 |
| | <u>6,732,035</u> | <u>5,404,810</u> |

22 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its parent company, associates, companies with common directorship, employee benefit plans and its directors and key management personnel and their close family members.

The Bank enters into transactions with related parties in the normal course of business.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

22.1 The details of transactions with related parties and balances with them are given below:

| | Parent company | | Associated companies | | Directors ** | | Key Management Personnel *** | | Others **** | |
|--|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 | (Un-audited) June 30, 2017 | (Audited) December 31, 2016 |
| | Rupees in thousand | | | | | | | | | |
| Balances with other banks | | | | | | | | | | |
| Opening balance | 3,669 | - | - | - | - | - | - | - | - | - |
| Deposits during the period | 28,391 | 10,004 | - | - | - | - | - | - | - | - |
| Withdrawal during the period | (25,083) | (6,335) | - | - | - | - | - | - | - | - |
| Closing balance | 6,977 | 3,669 | - | - | - | - | - | - | - | - |
| Islamic financing and related assets | | | | | | | | | | |
| Opening balance | - | - | 660,568 | 519,403 | 13,936 | 22,304 | 65,246 | 45,402 | - | - |
| Disbursed during the period | - | - | 297,000 | 452,350 | - | - | 21,638 | 29,367 | - | - |
| Repaid during the period | - | - | (361,893) | (311,185) | (421) | (8,368) | (3,945) | (9,523) | - | - |
| Closing balance | - | - | 595,675 | 660,568 | 13,515 | 13,936 | 82,939 | 65,246 | - | - |
| Others | | | | | | | | | | |
| Advance paid against purchase of property | 20,000 | 20,000 | - | - | - | - | - | - | - | - |
| Other receivables | 13,031 | 8,925 | 10,921 | 4,447 | - | - | 2,484 | 1,515 | - | - |
| Other payables | 13,690 | 5,613 | 6,208 | 10,608 | 390 | 40 | 136 | 84 | 48 | 43 |
| Due to Financial Institutions | | | | | | | | | | |
| Opening balance | - | 211,821 | - | - | - | - | - | - | - | - |
| Received during the period | 15,667,206 | 1,922,345 | - | - | - | - | - | - | - | - |
| Repaid during the period | (13,306,552) | (2,134,166) | - | - | - | - | - | - | - | - |
| Closing balance | 2,360,654 | - | - | - | - | - | - | - | - | - |
| Deposits and other accounts | | | | | | | | | | |
| Opening balance | - | - | 123,115 | 20,236 | 430 | 1,163 | 19,633 | 25,455 | 28,668 | 4,738 |
| Received / Adjustments * during the period | - | - | 4,923,064 | 2,884,976 | 27,088 | 24,772 | 87,336 | 166,314 | 78,103 | 147,507 |
| Withdrawal during the period | - | - | (4,727,349) | (2,782,097) | (23,431) | (25,505) | (54,591) | (172,136) | (88,140) | (123,577) |
| Closing balance | - | - | 318,830 | 123,115 | 4,087 | 430 | 52,378 | 19,633 | 18,631 | 28,668 |
| Contingencies & Commitments liabilities - outstanding | | | | | | | | | | |
| Letter of Credit | - | - | 908,914 | - | - | - | - | - | - | - |
| Letter of Guarantee | - | - | 500,988 | - | - | - | - | - | - | - |
| Forward exchange contract Purchase | 156,495 | - | - | - | - | - | - | - | - | - |
| Unrealized loss on forward exchange contract - net | 152 | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | |
| | Parent company | | Associated companies | | Directors ** | | Key Management Personnel *** | | Others **** | |
| | (Un-audited) June 30, 2017 | (Audited) June 30, 2016 | (Un-audited) June 30, 2017 | (Audited) June 30, 2016 | (Un-audited) June 30, 2017 | (Audited) June 30, 2016 | (Un-audited) June 30, 2017 | (Audited) June 30, 2016 | (Un-audited) June 30, 2017 | (Audited) June 30, 2016 |
| | Rupees in thousand | | | | | | | | | |
| Transactions during the period | | | | | | | | | | |
| Fee | - | - | - | - | 350 | 100 | - | - | - | - |
| Managerial remuneration | - | - | - | - | 31,124 | 24,552 | 68,814 | 48,803 | - | - |
| Contribution paid to provident fund | - | - | - | - | - | - | - | - | 25,265 | 4,824 |
| Profit received | - | - | 15,180 | 26,144 | 305 | 363 | 1,270 | 1,393 | - | - |
| Profit paid | 28,013 | 1,458 | 2,485 | 448 | - | - | 732 | 260 | 337 | 39 |
| Investment made in securities | - | - | 411,795 | - | - | - | - | - | - | - |
| Proceeds from sale of securities | - | - | 431,701 | - | - | - | - | - | - | - |
| Commission received | - | - | 1,433 | - | - | - | - | - | - | - |
| Disbursement made against advance salary | - | - | - | - | - | - | 1,230 | - | - | - |
| Repayment made against advance salary | - | - | - | - | - | - | 450 | - | - | - |
| Payment made against demerger scheme | - | 5,901,988 | - | - | - | - | - | - | - | - |
| Payment made against staff finance | - | 111,879 | - | - | - | - | - | - | - | - |
| Payment made for expenses | 231 | 973 | 34,405 | 10,732 | - | - | - | - | - | - |
| Foreign currency purchase | 4,697,112 | 1,705,680 | - | - | - | - | - | - | - | - |
| Foreign currency sale | 1,763,100 | 134,283 | - | - | - | - | - | - | - | - |
| Letter of Credit issued | - | - | 2,170,485 | - | - | - | - | - | - | - |
| Letter of Guarantee issued | - | - | 341,419 | - | - | - | - | - | - | - |

* Primarily relates to those associates who have become related parties of the Bank as at June 30, 2017.

** Directors include the President / Chief Executive Officer.

*** Key management personnel includes certain head of departments who report directly to President / Chief Executive Officer.

**** This represents balances and transactions of staff retirement benefit plan and related parties other than those separately mentioned.

23 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | For the half year ended June 30, 2017 (Un-audited) | | | | |
|------------------------------------|--|--------------------|-------------------|-----------------------|-------------|
| | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | Rupees in thousands | | | | |
| Total income | - | 547,433 | 21,447 | 624,224 | 1,193,104 |
| Total expenses | - | (445,349) | (327,552) | (375,135) | (1,148,036) |
| Income tax expense | - | - | - | - | (15,350) |
| Net income / (loss) | - | 102,084 | (306,105) | 249,089 | 29,718 |
| Segment return on assets (ROA) (%) | - | 10.17% | 1.49% | 5.75% | 6.74% |
| Segment cost of fund (%) | - | 5.47% | 2.89% | 2.08% | 3.39% |

| | For the half year ended June 30, 2016 (Un-audited) | | | | |
|------------------------------------|--|--------------------|-------------------|-----------------------|-----------|
| | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | Rupees in thousands | | | | |
| Total income | - | 396,200 | 17,085 | 582,500 | 995,785 |
| Total expenses | - | (243,318) | (252,016) | (317,013) | (812,347) |
| Income tax expense | - | - | - | - | (81,325) |
| Net income / (loss) | - | 152,882 | (234,931) | 265,487 | 102,113 |
| Segment return on assets (ROA) (%) | - | 6.55% | 3.00% | 7.82% | 7.07% |
| Segment cost of fund (%) | - | 5.18% | 3.58% | 6.00% | 3.95% |

| | As at June 30, 2017 (Un-audited) | | | | |
|-------------------------------------|----------------------------------|--------------------|-------------------|-----------------------|------------|
| | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | Rupees in thousands | | | | |
| Segment assets - Gross | - | 12,260,213 | 3,724,960 | 26,211,695 | 42,196,868 |
| Deferred tax asset - net | - | - | - | - | 9,595 |
| Advance taxation - net | - | - | - | - | 61,894 |
| Total assets | - | 12,260,213 | 3,724,960 | 26,211,695 | 42,268,357 |
| Segment non performing assets | - | - | - | 729 | 729 |
| Segment specific provision required | - | - | - | 729 | 729 |
| Segment liabilities | - | 7,781,541 | 23,389,913 | 882,546 | 32,054,000 |
| Deferred tax liability - net | - | - | - | - | - |
| Total liabilities | - | 7,781,541 | 23,389,913 | 882,546 | 32,054,000 |

| | As at December 31, 2016 (Audited) | | | | |
|-------------------------------------|-----------------------------------|--------------------|-------------------|-----------------------|-------------------|
| | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | Rupees in thousands | | | | |
| Segment assets - Gross | - | 9,275,808 | 2,043,276 | 17,179,225 | 28,498,309 |
| Deferred tax asset - net | - | - | - | - | - |
| Advance taxation - net | - | - | - | - | 71,467 |
| Total assets | <u>-</u> | <u>9,275,808</u> | <u>2,043,276</u> | <u>17,179,225</u> | <u>28,569,776</u> |
| Segment non performing assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,029</u> | <u>1,029</u> |
| Segment specific provision required | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,029</u> | <u>1,029</u> |
| Segment liabilities | - | 2,438,544 | 15,017,440 | 806,121 | 18,262,105 |
| Deferred tax liability - net | - | - | - | - | 40,524 |
| Total liabilities | <u>-</u> | <u>2,438,544</u> | <u>15,017,440</u> | <u>806,121</u> | <u>18,302,629</u> |

24 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on Aug 22, 2017 by the Board of Directors of the Bank.

25 GENERAL

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



CHAIRMAN



DIRECTOR

Ahmed Ebrahimi

DIRECTOR



PRESIDENT / CEO