



We value your Faith

# HALF YEARLY REPORT 2016



## Contents

01	Vision and Mission	02
02	Credit Rating	03
03	Corporate Information	04
04	Directors' Report to the Members	05
05	Auditors' Report on Review of Condensed Interim Financial Information to the Members	09
06	Condensed Interim Statement of Financial Position	12
07	Condensed Interim Profit and Loss Account	13
08	Condensed Interim Statement of Comprehensive Income	14
09	Condensed Interim Cash Flow Statement	15
10	Condensed Interim Statement of Changes in Equity	16
11	Notes to and forming part of the Condensed Interim Financial Information	17
12	Branch Network	31

# Vision

To be the leading provider of high standard Shari'ah Compliant Innovative financial products, quality service and superior value for our customers, shareholders, employees and the community.

# Mission

Islamic financial solutions for the global community, admired for their innovative nature and Shari'ah compliance.

# Our Values:

- We are Shari'ah inspired
- We work for mutual benefit
- We innovate
- We keep it simple and sensible
- We are transparent and focus on honesty in all aspects of our dealings.

# CREDIT RATING

Long Term

A

Short Term

A - 1

# Corporate Information

<b>Board of Directors</b>	Mr. Ahmed Ebrahim Hasham	Independent Director
	Mr. Khalid Mahmood Bhaimia	Independent Director
	Mr. M.U.A. Usmani	Non-Executive Director
	Mr. Omair Safdar	Non-Executive Director
	Mr. Ali Muhammad Mahoon	Executive Director
	<i>Chairman</i>	
	<i>President &amp; CEO</i>	
<b>Audit Committee</b>	Mr. Khalid Mahmood Bhaimia	Chairman
	Mr. Omair Safdar	Member
<b>Human Resource and</b>	Mr. Ahmed Ebrahim Hasham	Member
<b>Remuneration Committee</b>	Mr. M.U.A. Usmani	Member
	Mr. Omair Safdar	Member
<b>Risk Management and</b>	Mr. Ahmed Ebrahim Hasham	Member
<b>Portfolio Review Committee</b>	Mr. Omair Safdar	Member
<b>Board Evaluation Committee</b>	Mr. Ahmed Ebrahim Hasham	Member
	Mr. Omair Safdar	Member
<b>Shari'ah Board</b>	Prof. Mufti Munib-ur-Rehman	Chairman
	Mufti Syed Sabir Hussain	Resident Shari'ah Board Member
	(*Mufti Muahammad Imran resigned from Shari'ah Board with effect from April 30, 2016.)	
<b>Chief Financial Officer</b>	Syed Iftikhar Hussain Rizvi	
<b>Company Secretary</b>	Ms. Maimoona Cheema	
<b>Head of Internal Audit</b>	Mr. Muhammad Tariq Gondal	
<b>Legal Advisor</b>	Cornelius, Lane & Mufti Advocates and Solicitors.	
<b>Auditors</b>	M/s A.F. Ferguson & Co., Chartered Accountants.	
<b>Registered Office/Head Office</b>	T-59, Phase II, DHA Lahore.	
<b>Website</b>	www.mcbislamicbank.com	

# Directors Report to the Members

On behalf of the Board of Directors of MCB Islamic Bank Limited ('the Bank'), I am pleased to present the condensed interim statement of financial information for the half year ended June 30, 2016.

Highlights of the period under review are as follows:

	June 30, 2016	December 31, 2015	Growth (%)
----- Rs. in Million -----			
Balances with other banks	4,294	6,347	-32.33%
Investments – net	6,468	5,995	7.89%
Islamic financings and related assets – net	16,092	12,474	29.00%
Deposits	12,777	9,450	35.21%
Book value per share (Rupees)	10.043	9.958	0.85%
			<b>June 30, 2016</b>
			Rs. in Million
Net spread earned			591
Other income			127
Profit before taxation			183
Profit after taxation			102
Basic / diluted earnings per share (Rupees)			0.102

## Performance Review

During the period under review, the Bank successfully concluded and implemented the Scheme of Compromise, Arrangement and Reconstruction (the scheme) with MCB Bank Limited (MCB). All the assets and liabilities related to MCB's domestic Islamic Banking operations acquired under the scheme has been incorporated in the books of the Bank from the effective date i.e. September 30, 2015. Accordingly, the comparative balances as at December 31, 2015 have been restated.

Alhamdulillah, the Bank has maintained steady growth and profitability during the first half of the current financial year. Despite of low benchmark rate challenge, the Bank was able to build its book with growth in all financial fundamentals that strengthened its financial position. Financial performance discussed under this report is based on the performance of total 41 branches (including 34 branches acquired under the scheme) with restated comparative balances.

With an impressive 35.21% growth, total deposits stood at Rs. 12.78 billion as at June 30, 2016 from Rs. 9.45 billion as at December 31, 2015. Financing while continues to remain well diversified grew by 29% from Rs. 12.47 billion as at December 31, 2015 to Rs. 16.09 billion as at June 30, 2016.

The Bank posted profit before tax Rs. 183.44 million and profit after tax Rs. 102.11 million. Income generated from Islamic financing and related assets, investments and placements contributed Rs. 868.36 million in total gross revenue of Rs. 995.79 million. Other income of Rs. 127.43 million mainly include gain on sale of securities Rs.71.35 million and dividend income Rs. 23.21 million.

Return on earning assets was reported 7.50% while keeping cost of fund at 3.95%. Earnings per share for the period came to Rs.0.102 whereas book value per share stood at Rs. 10.04.

## Credit Rating

The Bank has been assigned long term credit rating "A" and short term credit rating "A – 1" with stable outlook by Pakistan Credit Rating Agency Limited (PACRA).

## Directors Report to the Members

### Economy Review

Pakistan's economy continues to maintain its growth momentum for the 3rd year in a row with real GDP growing at 4.71 percent in FY 2016 which is the highest in eight years. The country's Forex reserves reached all-time high US\$ 23.08 billion in June 2016, enough to finance over 5 months of country's import bill.

Moving on, Monetary Policy Committee (MPC) cut the policy rate by 25 bps in its May 2016 meeting. The Committee gained comfort from the fact that despite gradual up tick in inflation and inflation expectations, the inflation outlook for the next year still stands benign.

The average CPI inflation fell from 8.62 percent in FY 2014 to 4.53 percent in FY 2015 and further declined to 2.79 percent during July-April FY 2016 compared to 4.81 percent of the corresponding period last year. The industrial sector during FY 2016 recorded a remarkable growth of 6.8 percent against the target of 6.4 percent and is all time high in eight years.

The construction activities also recorded an impressive growth of 13.10 percent. The LSM sector which contribute 80 percent in Manufacturing and 51.8 percent in industrial sector also registered an impressive growth of 4.70 percent during July-March FY 2016 compared to 2.81 percent of last year.

The capital market reaching historical levels is another sign of investor's interest in Pakistan's economy. Pakistan stock exchange is taking a quantum leap and its market fundamentals are strong and MSCI on June 14, 2016 has announced its decision to reclassify Pakistan in the Emerging Market Index.

Assets and deposits of Islamic banking industry (IBI) were recorded at Rs. 1,625 billion and Rs. 1,336 billion respectively by end March 2016. Market share of Islamic banking assets and deposits in overall banking industry stood at 11.4 percent and 12.9 percent respectively by end March 2016. Branch network of IBI was recorded at 2,082 branches (including sub-branches) by end March 2016. IBI registered profit after tax (PAT) of Rs. 2.9 billion by end March 2016.

### Future Outlook

Looking ahead, broad improvement in macroeconomic indicators (low inflation, comfortable FX reserves, stable exchange rate and contained fiscal deficit) may set the tone for a higher and sustained economic growth. A better availability of energy supplies and an improved security situation would further add positivity to the economic progress of the country. Continuous decline in exports and slowing remittances are the other critical issues which need to be addressed on priority.

The Bank will continue with its strategy and is keen to open new branches at strategic locations of the country. Customer care has always been on the top and the Bank is aggressively working in launching new innovative Shari'ah compliant banking products that can fulfil customer needs and help the Bank ingrowing its business, financial position and revenue.

### Acknowledgement

On behalf of the Board of Directors and management, I wish to express our sincere gratitude to our customers, business partners and shareholders for their continued patronage and trust. I would also like to thank State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory authorities for their continuous guidance and support. The Board of Directors sincerely appreciates the significant contribution made by all its staff members for the continued growth of this franchise under challenging business conditions.

### For & on behalf Board of Directors

*Ahmed Ebrahim Hasham*

**Ahmed Ebrahim Hasham**  
Chairman  
August 02, 2016

## ڈائریکٹرز کی رپورٹ

میں انتہائی مسرت کے ساتھ ایم سی بی اسلامک بینک لمیٹڈ (بینک) کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2016 کو تکمیل شدہ ششماہی کی مختصر مالیاتی معلومات پیش کر رہا ہوں۔

زیر جائزہ مدت کی اہم خصوصیات مندرجہ ذیل ہیں۔

2016 جون	31 دسمبر 2015	شرح اضافہ / فیصد
4,294	6,347	-32.33%
6,468	5,995	7.89%
16,092	12,474	29.00%
12,777	9,450	35.21%
10,043	9,958	0.85

30 جون 2016  
ملین روپے

591	خالص منافع
127	دیگر آمدنی
183	منافع قبل از ٹیکس
102	منافع بعد از ٹیکس
0.102	فی حصص منافع (روپے)

کارکردگی کا جائزہ:

زیر جائزہ مدت کے دوران بینک نے ایم سی بی بینک لمیٹڈ (ایم سی بی) کے ساتھ سمجھوتہ انتظام اور تعمیر نو پر مشتمل اسکیم کو کامیابی کے ساتھ مکمل کیا۔ ایم سی بی کی اندرون ملک اسلامی بینکاری کے آپریشن سے متعلقہ تمام اثاثہ جات اور واجبات جو کہ اسکیم کے تحت حاصل کیے گئے انہیں موثر تاریخ یعنی 30 ستمبر 2015 سے بینک کی کتابوں میں شامل کیا گیا ہے۔ اس بنا پر 31 دسمبر 2015 کے تقابلی اعداد و شمار نئے سرے سے بیان کیے گئے ہیں۔

الحمد للہ بینک نے رواں مالی سال کی پہلی ششماہی کے دوران مسلسل ترقی اور منافع کے حصول کو برقرار رکھا ہے۔ کم شرح منافع کے چیلنج کے باوجود، بینک اُن تمام مالی اصولوں میں ترقی کے ساتھ جو بینک کی مالیاتی حالت کو مضبوط کرتے ہیں، اپنے اثاثہ جات کو تعمیر کرنے کے قابل رہا۔ اس رپورٹ کے تحت مالیاتی کارکردگی کا جائزہ گل 41 شاخوں (بشمول 34 شاخیں جو اسکیم کے تحت شامل ہوئیں) کی کارکردگی پر مبنی ہے بشمول تقابلی اعداد و شمار کے جوئے سرے سے بیان کئے گئے ہیں۔

30 جون 2016 کو مجموعی ڈپازٹس 35.21 فیصد کے شاندار اضافے کے ساتھ 12.78 ارب روپے پر قائم رہے جو کہ 31 دسمبر 2015 کو 9.45 ارب روپے تھے۔ جبکہ فنانسنگ متنوع رہتے ہوئے 29 فیصد اضافے کے ساتھ 31 دسمبر 2015 کو 12.47 ارب روپے سے بڑھ کر 30 جون 2016 کو 16.09 ارب روپے ہوئی۔

بینک کا قبل از ٹیکس منافع 183.44 ملین روپے اور بعد از ٹیکس منافع 102.11 ملین روپے رہا۔ اسلامی فنانسنگ و متعلقہ اثاثہ جات اور سرمایہ کاری کا بینک کی کل آمدنی جو کہ 995.79 ملین روپے ہے میں حصہ 868.36 ملین روپے رہا۔ 127.43 ملین روپے کی دیگر آمدنی میں بنیادی طور پر سیکورٹیز کی فروخت سے حاصل شدہ آمدنی 71.35 ملین روپے اور ڈیویڈنڈ سے حاصل شدہ آمدنی 23.21 ملین روپے شامل ہیں۔ منافع بخش اثاثوں پر 7.5 فیصد نفع جبکہ سرمائے پر لاگت 3.95 فیصد رکھتے ہوئے رپورٹ کیا گیا۔ فی حصص منافع مدت کے لیے 0.102 روپے رہا جبکہ فی حصص قیمت 10.043 روپے پر موجود رہی۔

کرڈٹ ریٹنگ:

پاکستان کرڈٹ ریٹنگ ایجنسی (PACRA) نے بینک کو مستحکم پیش منظر کے ساتھ طویل المیعاد ادارے کی درجہ بندی میں "A" اور قلیل المیعاد ادارے کی درجہ بندی میں "A-1" سے نوازا ہے۔

معیشت کا جائزہ:

پاکستان کی معیشت نے لگا تار تیسرے سال بھی اپنی ترقی کی رفتار کو برقرار رکھا جس میں معاشی سال 2016 میں مجموعی ملکی پیداوار 4.71 فیصد رہی جو کہ پچھلے آٹھ سالوں میں سب سے زیادہ ہے۔ ملک کے غیر ملکی کرنسی کے ذخائر جون 2016 میں 23.08 ارب امریکی ڈالر کی اعلیٰ ترین سطح پر پہنچ گئے ہیں جو کہ ملک کے 5 ماہ کے درآمدی بلوں کی مالی اعانت کے لیے کافی ہیں مزید برآں مانیٹری پالیسی کمیٹی نے مئی 2016 کے اجلاس میں پالیسی ریٹ میں مزید 25bps کی کمی کی۔ کمیٹی نے اس بات کا اطمینان حاصل کیا کہ باوجود اس امر کے کہ افراط زر کی شرح میں بتدریج اضافہ ہوا اور اس سے متعلقہ اضافے کی توقعات بھی موجود ہے اگلے سال افراط زر کی شرح تسلی بخش رہے گی۔

اوسط کمزور پیمانہ پر انڈیکس (CPI) افراط زر مالیاتی سال 2014 کے 8.62 فیصد سے کم ہو کر مالیاتی سال 2015 میں 4.53 فیصد تک اور پھر مالیاتی سال 2016 کی جولائی سے اپریل کی مدت کے دوران مزید کمی کے ساتھ 2.79 تک پہنچ گیا ہے جو کہ گزشتہ سال کی تقابلی مدت میں 4.81 فیصد تھا۔ مالیاتی سال 2016 میں صنعتی شعبے نے 6.4 فیصد کے دف کے مقابلے میں 6.8 فیصد کا قابل ذکر اضافہ کیا جو پچھلے آٹھ سالوں میں سب سے زیادہ ہے۔

تغیراتی سرگرمیوں میں بھی 13.10 فیصد کا متاثر کن اضافہ ریکارڈ کیا گیا۔ بڑے پیمانے کی صنعت (LSM) جس نے میٹالورجی کے شعبے میں 80 فیصد اور صنعتی شعبے میں 51.8 فیصد حصہ ڈالا، اور مالیاتی سال 2016 کی جولائی سے مارچ کی مدت کے دوران 4.70 فیصد کے متاثر کن اضافہ کو حاصل کیا جبکہ تقابلی سال میں یہ اضافہ 2.81 فیصد رہا تھا۔

سرمایہ مارکیٹ کا تاریخی سطح پر پہنچنا سرمایہ کاروں کی پاکستانی معیشت میں دلچسپی کی ایک اور نشانی ہے۔ پاکستان اسٹاک مارکیٹ ایک اونچی اڑان بھر رہی ہے اور اس کی مارکیٹ کے بنیادی اصول مضبوط ہیں اور ایم ایس سی آئی (MSCI) نے 14 جون 2016 کو پاکستان کو مارکیٹ میں دوبارہ شامل کرنے کے فیصلے کا اعلان کیا ہے۔

اسلامی بینکاری صنعت کے اٹاٹے اور ڈپازٹس مارچ 2016 کے آخر تک بالترتیب 1,625 ارب اور 1,336 ارب ریکارڈ کے گئے۔ مجموعی بینکاری کی صنعت میں اسلامی بینکاری کے اثاثوں اور ڈپازٹس کا حصہ مارچ 2016 کے اختتام تک بالترتیب 11.4 فیصد اور 12.9 فیصد رہا۔ اسلامی بینکاری صنعت کا برائچ نیٹ ورک مارچ 2016 کے اختتام تک 2,082 شاخوں (بشمول ذیلی شاخوں کیساتھ) رہا۔

مستقبل کی پیش بینی:

مستقبل میں وسیع معاشی بینا نوں (کم افراط زر، اطمینان بخش غیر ملکی ذرمبادلہ کے ذخائر، مستحکم شرح تبادلہ اور موجودہ مالیاتی خسارہ) میں وسیع بہتری ایک اعلیٰ اور پائیدار اقتصادی ترقی کے لئے راہ قائم کر سکتے ہیں۔ توانائی کی بہتر دستیابی اور حفظ و امان کی بہتر صورت حال ملک کی اقتصادی ترقی میں مزید اضافہ کرے گا۔ برآمدات میں مسلسل کمی اور ترسیلات زر کی رفتار میں کمی وہ دیگر اہم مسائل ہیں جنہیں ترجیحی بنیاد پر توجہ دینے کی ضرورت ہے۔

بینک اپنی موجودہ حکمت عملی کو جاری رکھتے ہوئے ملک کے اہم مقامات پر نئی شاخیں کھولنے کے لئے کوشاں ہے۔ صارفین کی خدمت کو مد نظر رکھتے ہوئے بینک ترجیحی بنیاد پر جدید مصنوعات کو متعارف کرانے کے لیے کام کر رہا ہے جو صارفین کی بینکاری کی ضروریات کو پورا کر سکیں اور بینک کے کاروبار، مالی حالات اور آمدنی میں بھی اضافہ کر سکیں۔

تسلیم و حسین:

بورڈ آف ڈائریکٹرز اور مینجمنٹ کی جانب سے میں اپنے تمام صارفین، کاروباری شراکت داروں اور حصص یافتگان کو ان کی مہربانیوں اور اعتماد پر تہ دل سے شکریہ ادا کرتا ہوں۔ اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر تنظیمی اداروں کا بھی ان کی مسلسل رہنمائی اور مدد پر شکریہ ادا رہا۔ بورڈ آف ڈائریکٹرز اس مشکل کاروباری صورتحال میں بینک کے تمام عملے کی بہترین کاوشوں کو خلوص دل سے سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Ahmad Ali Ahmad

احمد ابراہیم ہشام

چئیرمین

2 اگست 2016

## Independent Auditors' Report on Review of Condensed Interim Financial Information to the Members

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of MCB Islamic Bank Limited "the Bank" as at June 30, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information").

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2016.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

### Emphasis of Matter

We draw attention to note 4 to the condensed interim financial information which details the effect of restatement of corresponding figures consequent to Scheme of Compromise, Arrangement and Reconstruction with MCB Bank Limited. Our opinion is not qualified in respect of this matter.

Ahmad Ali Ahmad

Chartered Accountants

Name of engagement partner: Hammad Ali Ahmad

Dated: August 09, 2016

Lahore



We value your Faith

## Condensed Interim Financial Information

## Condensed Interim Statement of Financial Position

AS AT JUNE 30, 2016

	Note	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015
Rupees in thousands			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,110,267	698,123
Balances with other banks	8	4,294,543	6,347,459
Due from financial institutions		-	-
Investments - net	9	6,468,400	5,995,470
Islamic financing and related assets - net	10	16,092,048	12,473,797
Operating fixed assets	11	1,485,884	1,192,382
Deferred tax assets - net		-	-
Other assets - net	12	217,095	171,847
		29,668,237	26,879,078
<b>LIABILITIES</b>			
Bills payable		619,903	89,864
Due to financial institutions	13	5,510,345	631,520
Deposits and other accounts	14	12,777,336	9,450,072
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	15	11,456	9,962
Other liabilities	16	706,603	6,739,219
.		19,625,643	16,920,637
<b>NET ASSETS</b>		<b>10,042,594</b>	<b>9,958,441</b>
<b>REPRESENTED BY</b>			
Share capital	17	10,000,000	10,000,000
Reserves		25,584	5,161
Unappropriated profit / (loss)		64,643	(17,047)
		10,090,227	9,988,114
Deficit on revaluation of assets - net of tax		(47,633)	(29,673)
		<b>10,042,594</b>	<b>9,958,441</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	18		

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Ahmed Ebeid-   

AHMED EBRAHIM HASHAM	OMAIR SAFDAR	KHALID MAHMOOD BHAIMIA	ALI MUHAMMAD MAHOON
CHAIRMAN	DIRECTOR	DIRECTOR	PRESIDENT / CEO

## Condensed Interim Pro                       cess Account

FOR THE HALF YEAR ENDED JUNE 30, 2016

	Note	(Un-audited)	(Audited)		
		Quarter ended June 30, 2016	Half Year ended June 30, 2016	Quarter ended June 30, 2015	Period ended June 30, 2015
Rupees in thousands					
Profit / return earned	19	487,570	868,358	-	-
Profit / return expensed	20	157,412	277,744	-	-
Net spread earned		330,158	590,614	-	-
Provision against non-performing Islamic financing and related assets - net	10.4	21,000	56,000	-	-
Provision for diminution in the value of investments - net		-	-	-	-
Bad debts written off directly		-	-	-	-
		21,000	56,000	-	-
Net spread after provisions		309,158	534,614	-	-
<b>Other income</b>					
Fee, commission and brokerage income		8,085	17,035	-	-
Dividend income		7,597	23,207	-	-
Income from dealing in foreign currencies		5,724	9,042	-	-
Gain on sale of securities - net		44,428	71,352	-	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net		-	-	-	-
Other income		6,006	6,791	-	-
Total other income		71,840	127,427	-	-
		380,998	662,041	-	-
<b>Other expenses</b>					
Administrative expenses		238,369	464,730	37,693	37,693
Provision against other assets - net		-	-	-	-
Other charges		2,870	13,873	-	-
Total other expenses		241,239	478,603	37,693	37,693
Extra ordinary / unusual items		-	-	-	-
<b>Profit / (loss) before taxation</b>		139,759	183,438	(37,693)	(37,693)
Taxation					
- Current		(52,493)	(70,160)	-	-
- Prior periods		-	-	-	-
- Deferred		(10,023)	(11,165)	-	-
		(62,516)	(81,325)	-	-
<b>Profit / (loss) after taxation</b>		77,243	102,113	(37,693)	(37,693)
Rupees					
Basic / diluted earnings / (loss) per share	21	0.077	0.102	(0.038)	(0.044)

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Ahmed Elbakh-   

AHMED EBRAHIM HASHAM	OMAIR SAFDAR	KHALID MAHMOOD BHAIMIA	ALI MUHAMMAD MAHOON
CHAIRMAN	DIRECTOR	DIRECTOR	PRESIDENT / CEO



## Condensed Interim Statement of Comprehensive Income

FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter ended June 30, 2016	(Un-audited) Half Year ended June 30, 2016	Quarter ended June 30, 2015	(Audited) Period ended June 30, 2015
	Rupees in thousands			
Profit / (loss) after taxation for the period	77,243	102,113	(37,693)	(37,693)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive profit / (loss) for the period transferred to equity</b>	<b>77,243</b>	<b>102,113</b>	<b>(37,693)</b>	<b>(37,693)</b>
<i>Items that may be reclassified to profit and loss account</i>				
<b>Components of comprehensive income / (loss) not reflected in equity</b>				
Surplus / (deficit) on revaluation of available for sale investments	24,625	(27,632)	-	-
Related deferred tax (liability) / asset	(8,619)	9,671	-	-
	16,006	(17,961)	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>93,249</b>	<b>84,152</b>	<b>(37,693)</b>	<b>(37,693)</b>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Ahmed Ebrahim Hasham

AHMED EBRAHIM HASHAM  
CHAIRMAN

Omair Safdar

OMAIR SAFDAR  
DIRECTOR

Khalid Mahmood Bhaimia

KHALID MAHMOOD BHAIMIA  
DIRECTOR

Ali Muhammad Mahoon

ALI MUHAMMAD MAHOON  
PRESIDENT / CEO

## Condensed Interim Cash Flow Statement

FOR THE HALF YEAR ENDED JUNE 30, 2016

Note	(Un-audited)	(Audited)
	June 30,	
	2016	2015
	Rupees in thousands	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	183,438	(37,693)
Less: Dividend income	(23,207)	-
	160,231	(37,693)
<b>Adjustments for non-cash charges and other items</b>		
Depreciation - Owned assets	22,581	-
Depreciation - Ijarah assets	232,965	-
Amortization	5,961	-
Provision against non-performing Islamic financing and related assets - net	56,000	-
Provision for diminution in the value of investments - net / other assets	-	-
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net	-	-
Gain on sale of fixed assets	-	-
Gain on sale of securities - net	(71,352)	-
	246,155	-
	406,386	(37,693)
<b>(Increase) / decrease in operating assets</b>		
Islamic financing and related assets	(3,907,216)	-
Other assets - net	(40,652)	-
	(3,947,868)	-
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	530,039	-
Due to financial institutions	4,878,825	-
Deposits and other accounts	3,327,264	-
Other liabilities	(200,788)	37,693
	8,535,340	37,693
	4,993,858	-
	(12,108)	-
Income tax paid		-
<b>Net cash generated from operating activities</b>	4,981,750	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	(1,387,756)	-
Dividend income received	30,719	-
Proceeds from sale of available for sale securities	958,547	-
Payment against demerger scheme	(5,901,988)	-
Investment in operating fixed assets	(322,044)	-
<b>Net cash used in investing activities</b>	(6,622,522)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	10,000,000
<b>Net cash generated from financing activities</b>	-	10,000,000
<b>(Decrease) / increase in cash and cash equivalents during the period</b>		
Cash and cash equivalents at the beginning of the period	(1,640,772)	10,000,000
	7,045,582	-
<b>Cash and cash equivalents at the end of the period</b>	5,404,810	10,000,000

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Ahmed Ebrahim Hasham

AHMED EBRAHIM HASHAM  
CHAIRMAN

Omair Safdar

OMAIR SAFDAR  
DIRECTOR

Khalid Mahmood Bhaimia

KHALID MAHMOOD BHAIMIA  
DIRECTOR

Ali Muhammad Mahoon

ALI MUHAMMAD MAHOON  
PRESIDENT / CEO

## Condensed Interim Statement of Changes in Equity

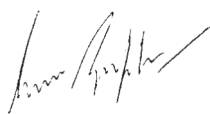
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Share Capital	Statutory Reserve	Revenue Reserve	Unappropriated Profit / (Loss)	Total
	Rupees in thousands				
Balance as at January 01, 2015	-	-	-	-	-
Issue of share capital	10,000,000	-	-	-	10,000,000
Loss for the period ended June 30, 2015	-	-	-	(37,693)	(37,693)
<b>Balance as at June 30, 2015 (Audited)</b>	10,000,000	-	-	(37,693)	9,962,307
Profit for the period ended December 31, 2015	-	-	-	25,807	25,807
Transfer to statutory reserves	-	5,161	-	(5,161)	-
Other comprehensive income for the period	-	-	-	-	-
<b>Balance as at December 31, 2015 (Audited) - Restated</b>	10,000,000	5,161	-	(17,047)	9,988,114
Profit for the period ended June 30, 2016	-	-	-	102,113	102,113
Transfer to statutory reserves	-	20,423	-	(20,423)	-
Other comprehensive income for the period	-	-	-	-	-
<b>Balance as at June 30, 2016 (Un-audited)</b>	<u>10,000,000</u>	<u>25,584</u>	<u>-</u>	<u>64,643</u>	<u>10,090,227</u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.



AHMED EBRAHIM HASHAM  
CHAIRMAN



OMAIR SAFDAR  
DIRECTOR



KHALID MAHMOOD BHAIMIA  
DIRECTOR



ALI MUHAMMAD MAHOON  
PRESIDENT / CEO

## Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

### 1 STATUS AND NATURE OF BUSINESS

- 1.1 MCB Islamic Bank Limited (the Bank) is a banking company and was incorporated in Pakistan on May 15, 2014 under the Companies Ordinance, 1984 to carry on Islamic banking business in accordance and in conformity with principles of Islamic Shari'ah. The Bank is a wholly owned subsidiary of MCB Bank Limited (MCB) and is unlisted.
- 1.2 The Bank was granted the "Certificate of Commencement of Banking Business" under Section 27 of the Banking Companies Ordinance 1962 on September 14, 2015 and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015, 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.
- 1.3 The Bank's Registered Office is situated at T-59, Phase II, DHA, Lahore Cantt and Principal Office is at 339 Block Z, Phase III, DHA Lahore Cantt. The Bank operates 41 branches (December 31, 2015: 40 branches) within Pakistan.
- 1.4 Pakistan Credit Rating Agency (PACRA) has determined 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

The Bank provides financing through Shari'ah compliant financial products mainly through Murabaha, Istisna, Ijarah, Diminishing Musharakah and Export Refinance under Islamic Export Refinance Scheme.

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. 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. 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 period from July 01, 2015 to December 31, 2015.
- 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 with the requirements prescribed by the SBP through various circulars.

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

## 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, 2016 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 SCHEME OF COMPROMISE, ARRANGEMENT AND RECONSTRUCTION WITH MCB BANK LIMITED

The Board of Directors in their meeting held on October 19, 2015 approved a Scheme of Compromise, Arrangement and Reconstruction (the Scheme) with MCB Bank Limited (MCB). Under the Scheme, assets and liabilities related to MCB's domestic Islamic Banking operations were to be transferred to the Bank subject to approval by the Bank's shareholders and sanction of the Scheme by Honorable Lahore High Court. The Scheme was approved by the Bank's shareholders in an Extra Ordinary General Meeting dated January 8, 2016.

Subsequent to the authorization of financial statements for the period ended December 31, 2015, the Honourable Lahore High Court has granted sanction of, and ordered for implementation of the Scheme through its order received certified true copy dated April 19, 2016 whereby assets and liabilities of MCB's domestic Islamic Banking Operations were to be transferred as at the effective date September 30, 2015. The Bank in accordance with the aforesaid Court order incorporated the balances at their carrying values as appearing in the financial statements of MCB Islamic Banking Group (MCB IBG) as at September 30, 2015. Accordingly the comparative financial information of the Bank have been restated.

Details of assets and liabilities transferred to the Bank and the related adjustment made in the statement of financial position as at 31 December 2015 are as follows:

### Statement of Financial Position

Note	(Audited) December 31, 2015	Net Assets MCB IBG December 31, 2015	Adjustments / Reclassification	Restated (Audited) December 31, 2015
Rupees in thousands				
<b>ASSETS</b>				
Cash and balances with treasury banks	56,880	641,243	-	698,123
Balances with other banks	4.1 8,150,590	70,708	(1,873,839)	6,347,459
Due from financial institutions	4.2 -	2,264,735	(2,264,735)	-
Investments - net	4.2 624,159	3,106,576	2,264,735	5,995,470
Islamic financing and related assets - net	4.3 972,634	10,029,289	1,471,874	12,473,797
Operating fixed assets	4.3 170,119	2,456,473	(1,434,210)	1,192,382
Deferred tax assets - net	9,388	-	(9,388)	-
Other assets - net	124,121	52,343	(4,617)	171,847
	10,107,891	18,621,367	(1,850,180)	26,879,078

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

Note	(Audited) December 31, 2015	Net Assets MCB IBG December 31, 2015	Adjustments / Reclassification	Restated (Audited) December 31, 2015
<b>LIABILITIES</b>				
Rupees in thousands				
Bills payable	-	86,461	3,403	89,864
Due to financial institutions	-	631,520	-	631,520
Deposits and other accounts	4.1 37,669	11,286,242	(1,873,839)	9,450,072
Sub-ordinated loan	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Deferred tax liabilities - net	-	-	9,962	9,962
Other liabilities	4.4 85,939	428,643	6,224,637	6,739,219
	123,608	12,432,866	4,364,163	16,920,637
<b>NET ASSETS</b>				
	9,984,283	6,188,501	(6,214,343)	9,958,441
Add: Deficit on revaluation of investments		6,255		
Less: Profit for the period October 01, 2015 till December 31, 2015		(4,723)		
		1,532		
<b>NET AMOUNT TO BE SETTLED WITH MCB</b>				
		6,190,033		

## REPRESENTED BY

	(Audited) December 31, 2015	Restated (Audited) December 31, 2015
Rupees in thousands		
Share capital	10,000,000	10,000,000
Reserves	9,517	5,161
Unappropriated profit / Loss	373	(17,047)
	10,009,890	9,988,114
Deficit on revaluation of assets - net of tax	(25,607)	(29,673)
	9,984,283	9,958,441

- 4.1** This represents deposits placed by the Bank with MCB included in deposits of the Islamic Banking group of MCB.
- 4.2** This represents reclassification of Bai Muajjal as per State Bank of Pakistan BPRD circular letter number 5 of 2016.
- 4.3** This represents Ijara Assets reclassified from operating fixed assets to Islamic financings and related assets.
- 4.4** This includes consideration payable to MCB Bank Limited amounting to Rs 6.190 billion.

## 5 BASIS OF MEASUREMENT

- 5.1** 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.
- 5.2** 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.

## 6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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 period from July 01, 2015 to December 31, 2015.

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

## 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Except for those policies and methods 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 period from July 01, 2015 to December 31, 2015.

### 7.2 Business acquisition

Transactions and balances as a result of Business Combinations with Group companies are recognized at carrying values.

### 7.3 Islamic financing and related assets

#### 7.3.1 Murabaha

Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

#### 7.3.2 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 financed is received back by the Bank alongwith profit.

#### 7.3.3 Ijarah

Ijarah contracts entered into by the Bank essentially represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets underlying Ijarah financings have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financings net of depreciation charged are taken to the profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement. The significant Ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 3 to 5 years.

#### 7.3.4 Provision

##### Specific provision

The Bank maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

##### General provision

The Bank maintains general provisions in accordance with the Prudential Regulations issued by SBP, as follows:

	Secured	Unsecured
Consumer financings (including housing finance)	0.5% - 1.5%	5.0%
Small enterprise financings	1.0%	2.0%

If considered necessary the Bank can also maintain general provision in respect of corporate and commercial portfolio. This provision is maintained based on management's best estimate and is approved by the Board of Directors.

## 7.4 Revenue recognition

- Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield / profit method.
- Profit on Bai Muajjal is recognised on an accrual basis.

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

- Profit from Murabaha financing is accounted for on culmination of Murabaha transaction. Profit on Murabaha is recognised on an 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.
- Income from Ijarah financing is recognised on an accrual basis.
- Profit on Istisna financing is recognised on an accrual basis.

	Note	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015
Rupees in thousands			
<b>8 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- current account		-	-
- deposit account / TDR	8.1	3,892,807	6,276,751
		3,892,807	6,276,751
Outside Pakistan			
- current account		401,736	70,708
		4,294,543	6,347,459

8.1 This represents modaraba based accounts carrying profit at rates ranging from 2.50% to 6.10% per annum (December 31, 2015: 3.23% to 6.9% per annum).

## 9 INVESTMENTS - NET

9.1	Investments by types	Note	June 30, 2016 (Un-audited)			December 31, 2015 (Audited) - Restated		
			Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
			Rupees in thousands					
	<b>Available-for-sale securities</b>							
	Fully paid up ordinary shares - listed		790,863	-	790,863	663,554	-	663,554
	Sukuk certificates		2,268,837	-	2,268,837	1,944,210	-	1,944,210
			3,059,700	-	3,059,700	2,607,764	-	2,607,764
	<b>Held to maturity</b>							
	Sukuk certificates		1,150,000	-	1,150,000	1,187,241	-	1,187,241
	Bai Muajjal with Government of Pakistan		2,331,982	-	2,331,982	2,264,736	-	2,264,736
			3,481,982	-	3,481,982	3,451,977	-	3,451,977
	<b>Investments at cost</b>		6,541,682	-	6,541,682	6,059,741	-	6,059,741
	Less: Provision for diminution in the value of investments	9.2	-	-	-	(18,621)	-	(18,621)
	<b>Investments (net of provisions)</b>		6,541,682	-	6,541,682	6,041,120	-	6,041,120
	Deficit on revaluation of investments classified as available-for-sale securities - net		(73,282)	-	(73,282)	(45,650)	-	(45,650)
	<b>Total investments at market value</b>		6,468,400	-	6,468,400	5,995,470	-	5,995,470

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

	Note	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015
		Rupees in thousands	
<b>9.2 Particulars of provision for diminution in the value of investments</b>			
Opening balance		18,621	-
Balance acquired from MCB		-	9,311
Charge for the period		-	9,310
Reversals during the period		-	-
		-	9,310
Write offs / other adjustments	9.2.1	(18,621)	-
Closing balance		-	18,621
<b>9.2.1</b> This represents amount transferred to MCB.			
<b>10 ISLAMIC FINANCING AND RELATED ASSETS - NET</b>			
In Pakistan			
- Murabaha financing		2,512,780	1,352,558
- Inventory held under Murabaha		4,769,780	4,841,213
- Advances against Murabaha		1,219,331	238,217
- Murabaha under Islamic Export Refinance Scheme		191,578	412,366
- Diminishing Musharakah		3,937,422	2,572,200
- Advances against Diminishing Musharakah		1,668,340	1,423,937
- Net book value of assets in Ijarah under IFAS 2	10.1	1,470,859	1,434,211
- Advances against Ijarah		41,213	71,872
- Istisna		-	-
- Inventory held under Istisna		150,000	150,000
- Advances against Istisna		282,156	72,634
- Staff financing	10.2		
Islamic financing and related assets - gross		16,243,459	12,569,208
Less: Provision against non performing Islamic financing and related assets			
- Specific		(76,029)	(1,129)
- General		(75,382)	(94,282)
	10.4	(151,411)	(95,411)
<b>Islamic financing and related assets - net of provision</b>		<b>16,092,048</b>	<b>12,473,797</b>
<b>10.1</b> Net book value of Ijarah assets under IFAS 2 is net of accumulated depreciation amounting to Rs. 928.008 million (December 31, 2015: Rs. 785.792 million).			
		(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015
		Rupees in thousands	
<b>10.2 Staff finance</b>			
Staff housing finance under Diminishing Musharakah		239,971	56,381
Staff car finance under Diminishing Musharakah		42,185	16,253
		282,156	72,634
<b>10.3</b> Islamic financing and related assets include Rs. 151.029 million (December 31, 2015: Rs. 1.129 million) which have been placed under non-performing status as detailed below:			

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

Category of classification	June 30, 2016 (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	150,000	-	150,000	75,000	75,000
Loss	1,029	-	1,029	1,029	1,029
	151,029	-	151,029	76,029	76,029

Category of classification	December 31, 2015 (Audited) - Restated				
	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	1,129	-	1,129	1,129	1,129
	1,129	-	1,129	1,129	1,129

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

Note	June 30, 2016 (Un-audited)			December 31, 2015 (Audited) - Restated		
	Specific	General	Total	Specific	General	Total
	Rupees in thousands					
Opening balance	1,129	94,282	95,411	-	-	-
Balance acquired from MCB	-	-	-	70,690	62,769	133,459
Charge for the period	75,000	56,125	131,125	-	31,513	31,513
Reversals / transfer during the period	(100)	(75,025)	(75,125)	(923)	-	(923)
	74,900	(18,900)	56,000	(923)	31,513	30,590
Write offs / other adjustments	-	-	-	(68,638)	-	(68,638)
Closing balance	76,029	75,382	151,411	1,129	94,282	95,411

**10.4.1** The Bank maintains general provision in respect of the consumer and small and medium enterprise finance portfolio in accordance with the requirements of the respective Prudential Regulations issued by the State Bank of Pakistan (SBP). Further, the Bank also maintains general provision in respect of corporate and commercial portfolio based on management's best estimate and is approved by the Board of Directors.

**10.4.2** This represents amount transferred to MCB.

11	OPERATING FIXED ASSETS	Note	Restated
			(Un-audited)
			June 30, 2016
			December 31, 2015
			Rupees in thousands
	Capital work-in-progress	11.1	512,680
	Property and equipment		898,727
	Intangible assets		74,477
			1,485,884

			226,148
			890,072
			76,162
			1,192,382



# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

**17 SHARE CAPITAL****17.1 Authorized Capital**

	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015
<b>11.2 Additions to operating fixed assets - cost</b>		
Civil works	59,719	-
Furniture and fixtures	1,326	-
Office equipment	111,847	-
Computer equipment	9,539	-
Issued shares and paid up capital	97,288	-
Vehicles	1,243	-
Advances to supplier and vendors	41,082	-
	<u>322,044</u>	<u>-</u>
	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015
Numbers of shares		
1,000,000,000	1,000,000,000	

**18 CONTINGENCIES AND COMMITMENTS****18.1 OTHER ASSETS**

<b>18.2 Transaction related contingent liabilities</b>	96,417	66,133
Advances deposits, advance rent and other prepayments	57,476	60,301
Guarantees favouring - beneficiary	45,148	33,040
Advance taxation	-	7,512
Others	-	-
<b>18.3 Trade related contingent liabilities</b>	5,355	-
Stationary and stamps	931	519
Import Letters of Credit	11,768	4,342
Others	217,095	171,847
Acceptances		

**18.4 DUE TO FINANCIAL INSTITUTIONS**

Acquisition of computer software	5,510,345	631,520
Outside Pakistan	-	-
<b>18.5 Commitments to extend credit</b>	<u>5,510,345</u>	<u>631,520</u>

**13.1 Particulars of due to financial institutions with respect to currencies**

In local currency	4,488,000	419,700
In foreign currency	1,022,345	211,820
	<u>5,510,345</u>	<u>631,520</u>

**13.2 Details of due to financial institutions - Secured / Unsecured**

<b>19 PROFIT / RETURN EARNED</b>		
Secured		
On Murabahah from the State Bank of Pakistan under		
- Islamic Export Refinance Scheme	188,000	419,700
- held to maturity securities		
<b>Unsecured</b>		
On Murabahah with financial institutions	13.2.1	4,300,000
Modaraba	13.2.2	1,022,345
		<u>5,322,345</u>
		<u>211,820</u>
		<u>5,510,345</u>
		<u>631,520</u>

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

**13.2.1** This represents Musharakah arrangements with banks at profit rate ranging from 1.25% to 1.65% per annum (December 31, 2015: Nil) and having maturity upto August 01, 2016 (December 31, 2015: Nil). It includes arrangement with MCB amounting to Rs. 900 million (December 31, 2015: Nil).

**13.2.2** This represents modaraba arrangements with the parent company at profit rate ranging from 1.25% to 1.65% per annum (December 31, 2015: 1.25% per annum) and having maturity upto October 21, 2016 (December 31, 2015: March 02, 2016).

**14 DEPOSITS AND OTHER ACCOUNTS****Customers**

Fixed deposits	4,148,465	2,893,719
Saving deposits	1,107,134	1,661,013
Current accounts - Non Remunerative	2,490,815	1,906,703
Margin accounts	88,839	53,660
	<u>102,113</u>	<u>10,865,233</u>

**Financial institutions**

Remunerative deposits	1,912,083	2,881,441
Non-remunerative deposits	-	53,536
	<u>1,912,083</u>	<u>2,934,977</u>

**14.1 Particulars of deposits**

In local currency	0.102	12,559,573	(0.038)	9,343,333
In foreign currencies		<u>247,768</u>		<u>166,738</u>
		<u>12,777,336</u>		<u>9,450,072</u>

**15 DEFERRED TAX LIABILITY - NET****Taxable temporary difference**

Accelerated tax depreciation	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	38,864	26,343
	<u>38,864</u>	<u>26,343</u>

**Deductible temporary difference**

Workers welfare fund	(1,758)	(403)
Deficit on revaluation of available for sale investments - net	(25,650)	(15,978)
	<u>(27,408)</u>	<u>(16,381)</u>
	4,294,543	10,000,000
	<u>4,267,135</u>	<u>10,000,000</u>

**16 OTHER LIABILITIES**

Profit / return payable in local currency	92,744	54,404
Profit / return payable in foreign currencies	4,022	4,022
Accrued expenses	98,897	98,178
Deferred Murabaha income under Islamic financing and related assets	36,326	37,665
Payable against purchase of investments	-	25,178
Advance receipt against Islamic financing and related assets	16,107	1,447
Charity collection account	1,058	2,505
Income received in advance	23,972	7,762
Security deposits under Ijarah financing	326,538	310,827
Withholding tax, Federal excise duty and other tax payable	15,810	2,364
Payable to MCB	-	6,190,033
Provision for taxation	75,950	5,790
Others	15,172	3,039
	<u>706,603</u>	<u>6,739,219</u>

Notes to and forming part of the Condensed  
Interim Financial Information (Un-Audited)  
FOR THE HALF YEAR ENDED JUNE 30, 2016

	(Un-audited) June 30, 2016 Rupees in thousands	Restated (Audited) December 31, 2015 Rupees in thousands
Ordinary shares of Rs. 10/- each	<u>15,000,000</u>	<u>15,000,000</u>
Fully paid in cash	<u>10,000,000</u>	<u>10,000,000</u>
	<u>1,050,484</u>	<u>1,067,932</u>
	<u>1,263,068</u>	<u>-</u>
	1,184,463	1,620,072
	152,715	31,991
	<u>1,337,178</u>	<u>1,652,063</u>
Commitments for the acquisition of operating fixed assets		
	<u>25,661</u>	<u>57,794</u>
extend credit in the normal course of business but these being revocable commitments do not attract any penalty or expense if the facility is unilaterally withdrawn.		
	(Un-audited) June 30, 2016 Rupees in thousands	(Audited) June 30, 2015 Rupees in thousands
	574,591	-
	47,176	-
	109,865	-
	157,041	-
	136,084	-
	642	-
On inter bank Murabaha / Modaraba / Musharakah agreements	<u>868,358</u>	<u>-</u>

Notes to and forming part of the Condensed  
Interim Financial Information (Un-Audited)  
FOR THE HALF YEAR ENDED JUNE 30, 2016

20	PROFIT / RETURN EXPENSED	
	On deposits and other accounts	
	On musharakah with the State Bank of Pakistan under IERS	
	On other short term fund - musharakah / modarabas	
		Quarter ended June 30, 2016
21	BASIC / DILUTED - EARNINGS / (LOSS) PER SHARE	
	Profit / (loss) after taxation for the period	<u>77,243</u>
	Weighted average number of ordinary shares	<u>1,000,000,000</u>
	Basic / diluted earnings / (loss) per share	<u>0.077</u>
	There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2016 and June 30, 2015.	
22	CASH AND CASH EQUIVALENTS	
	Cash and balances with treasury banks	
	Balances with other banks	
23	RELATED PARTY TRANSACTIONS	
	The Bank has related party relationship with its parent company, associates, 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 executives / officers is determined in accordance with the terms of their appointment.	

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

23.1 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, 2016	Restated (Audited) December 31, 2015	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015	(Un-audited) June 30, 2016	Restated (Audited) December 31, 2015
Rupees in thousands										
<b>Balances with other banks</b>										
Opening balance	-	10,000,000	-	-	-	-	-	-	-	-
Deposits during the period	4,755	4,500,000	-	-	-	-	-	-	-	-
Withdrawal during the period	(1,559)	(9,404,231)	-	-	-	-	-	-	-	-
Adjustments *	-	(5,095,769)	-	-	-	-	-	-	-	-
Closing balance	3,196	-	-	-	-	-	-	-	-	-
<b>Islamic financing and related assets</b>										
Opening balance	-	-	519,403	-	22,304	-	45,427	-	-	-
Balance acquired from MCB	-	-	-	522,793	-	-	-	-	-	-
Disbursed during the period	-	-	152,700	34,000	-	22,304	25,767	45,427	-	-
Repaid during the period	-	-	(96,243)	(37,390)	-	-	(2,457)	-	-	-
Closing balance	-	-	575,860	519,403	22,304	22,304	68,737	45,427	-	-
<b>Others</b>										
Other receivables	5,355	-	8,973	14,815	291	97	172	28	-	-
Other payables	6,841	700	239	256	2,340	1,123	3,127	764	14	4
<b>Due to Financial Institutions</b>										
Opening balance	211,821	-	-	-	-	-	-	-	-	-
Balance acquired from MCB	-	1,963,412	-	-	-	-	-	-	-	-
Received during the period	1,922,345	-	-	-	-	-	-	-	-	-
Repaid during the period	(211,821)	(1,751,591)	-	-	-	-	-	-	-	-
Closing balance	1,922,345	211,821	-	-	-	-	-	-	-	-
<b>Deposits</b>										
Opening balance	-	-	20,236	-	1,163	-	25,450	-	4,738	-
Balance acquired from MCB	-	-	-	6,528	-	523	-	3,461	-	113
Received during the period	-	-	1,498,708	251,984	16,131	10,513	109,792	58,690	15,211	4,863
Withdrawal during the period	-	-	(1,509,285)	(238,276)	(7,651)	(9,873)	(93,392)	(36,701)	(13,065)	(238)
Closing balance	-	-	9,659	20,236	9,643	1,163	41,850	25,450	6,884	4,738
	Parent company		Associated companies		Directors **		Key Management Personnel ***		Others ****	
	(Un-audited) June 30, 2016	(Audited) June 30, 2015	(Un-audited) June 30, 2016	(Audited) June 30, 2015	(Un-audited) June 30, 2016	(Audited) June 30, 2015	(Un-audited) June 30, 2016	(Audited) June 30, 2015	(Un-audited) June 30, 2016	(Audited) June 30, 2015
Rupees in thousands										
<b>Transactions during the period</b>										
Non-executive directors' fees	-	-	-	-	100	260	-	-	-	-
Remuneration to key management personnel	-	-	-	-	24,552	-	48,803	-	-	-
Profit received	-	-	26,144	-	363	-	1,393	-	-	-
Profit paid	1,458	-	448	-	-	-	260	-	39	-
Proceeds from issue of shares	-	10,000,000	-	-	-	-	-	-	-	-
Contribution made to provident fund	-	-	-	-	-	-	-	-	4,824	-
Payment made against demerger scheme	5,901,988	-	-	-	-	-	-	-	-	-
Payment made against staff finance	111,879	-	-	-	-	-	-	-	-	-
Payment made for expenses	973	-	10,732	-	-	-	-	-	-	-
Foreign currency purchase	1,705,680	-	-	-	-	-	-	-	-	-
Foreign currency sale	134,283	-	-	-	-	-	-	-	-	-

# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

\* This represents balance adjusted with MCB.

\*\* 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.

## 24 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For 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%

	For the period ended June 30, 2015 (Audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in thousands				
Total income	-	-	-	-	-
Total expenses	-	-	-	-	(37,693)
Income tax expense	-	-	-	-	-
Net income / (loss)	-	-	-	-	(37,693)

Segment (ROA) (%)	-	-	-	-	-
Segment cost of fund (%)	-	-	-	-	-

	As at June 30, 2016 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in thousands				
Segment assets - Gross	-	11,390,670	1,478,472	16,905,359	29,774,500
Advance taxation	-	-	-	-	45,148
Total assets - Gross	-	11,390,670	1,478,472	16,905,359	29,819,648
Segment non performing assets	-	-	1,029	150,000	151,029
Segment specific provision required	-	-	1,029	75,000	76,029
Segment liabilities	-	5,366,471	13,569,079	614,143	19,549,693
Provision for taxation	-	-	-	-	75,950
Total liabilities	-	5,366,471	13,569,079	614,143	19,625,643



# Notes to and forming part of the Condensed Interim Financial Information (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2016

As at December 31, 2015 (Audited) - Restated

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Rupees in thousands					
Segment assets - Gross	-	13,015,735	820,123	13,124,212	26,960,070
Advance taxation					33,040
Total assets - Gross	-	13,015,735	820,123	13,124,212	26,993,110
Segment non performing assets	-	-	1,129	-	1,129
Segment specific provision required	-	-	1,129	-	1,129
Segment liabilities	* 6,190,033	239,485	9,693,343	791,986	16,914,847
Provision for taxation	-	-	-	-	5,790
Total liabilities	6,190,033	239,485	9,693,343	791,986	16,920,637

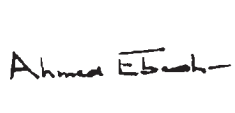
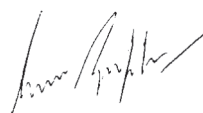


\* This represents consideration payable to MCB.

## 25 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 02, 2016 by the Board of Directors of the Bank.

## 26 GENERAL

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

AHMED EBRAHIM HASHAM  
CHAIRMAN

OMAIR SAFDAR  
DIRECTOR

KHALID MAHMOOD BHAIMIA  
DIRECTOR

ALI MUHAMMAD MAHOON  
PRESIDENT / CEO

# Branch Network

Sr. No	Br. Code	Name of Branch	City	Address
1	1901	Shahrah-e-Faisal	Karachi	Shahrah e Faisal Branch, Shop 4, 5 Nice Trade Orbit, Karachi
2	1902	Liberty Market	Lahore	9-C, Commercial Zone Liberty Branch Lahore
3	1903	Shah Rukhn E Alam Colony	Multan	17-F , T Chowk Shah Rukhn E Alam Colony, Multan
4	1904	Thandi Sarak	Hyderabad	Ground Floor, Shop No.6 &7, River View Apartments, Thandi Sarak, Hyderabad
5	1905	Peoples Colony	Faisalabad	668-1, Block-A, Peoples Colony# 1, Faisalabad
6	1906	Jinnah Avenue	Islamabad	F-6, G-6, MCB Building Jinnah Avenue, Islamabad
7	1907	Rashid Minhas Road	Karachi	Plot# LM-10, Block-10/A, Main Rashid Minhas Road Karachi
8	1908	DHA Z Block	Lahore	339-Z Block Commercial Area, DHA Phase III, Lahore
9	1909	Bank Road	Rawalpindi	Shahbaz Plaza Bank Road Saddar Bazar Rawalpindi
10	1910	Saddar Road	Peshawar	Tasneem Plaza Saddar Road Peshawar Cantt
11	1911	Circular Road	Quetta	Agha Siraj Complex Circular Road, Quetta
12	1912	Shah Alam Market	Lahore	12-13/6 Block-A, Shah Alam Market Lahore
13	1913	Khayaban-e-Shamsheer	Karachi	Plot No. 10 C, Showroom No. 101, Khayaban-e-Shamsheer, DHA Phase V, Karachi
14	1914	M.A Jinnah Road	Karachi	Shop No. 1 & 1-A, Old Survey B-4/2D, Serai Quarter, M.A Jinnah Road, Karachi
15	1915	S.I.T.E Karachi	Karachi	C 18-A, East Avenue, S.I.T.E, Karachi
16	1916	Sharifpora Branch	Gujranwala	Sharifpora Chowk G.T Road Gujranwala
17	1917	Shahi Road	Rahim Yar Khan	Shahi Road, Firdos Market, New Punjab Sweets, Rahim Yar Khan
18	1918	Club Road	Sargodha	73, Club Road, Civil Line, Sargodha
19	1919	F-10 Markaz	Islamabad	Plot No 1-G, F-10 Markaz, Double Road, Islamabad
20	1920	Quaidabad	Quaidabad	Plot # 11, Khatooni #1403, Khewet # 862, Quaidabad
21	1921	Allama Iqbal Town	Lahore	132 Jahanzaib Block, Main Boulevard, Allama Iqbal Town, Lahore
22	1922	Stataion Road	Sukkar	Plot No.6/2, Ward-C, Station Road, Sukkur
23	1923	Khalid Bin Waleed Road	Karachi	Show Room No.9-11, Plot No.167-A, Block-3, Khalid Bin Waleed Road, Karachi
24	1924	Johar Town Branch	Lahore	87-E, Madina Heights, Maulana Shaukat Ali Road, Johar Town, Lahore
25	1925	Tando Allah Yar	Tando Allah Yar	Plot No.1, Survey No. 272/1 Deh Taluka Hyderabad Road Tehsil & District Tando Allah Yar
26	1926	Karkhano Market	Peshawar	Unit No. 53-56, G.B. Plaza, Karkhano Market, Jamrud Road, Hayatabad, Peshawar
27	1927	Kotwali Road	Faisalabad	P-75 / 2, Kotwali Road, Faisalabad
28	1928	Farid Town	Sahiwal	Plot# 23, Farid Town, Sahiwal
29	1929	Bhimber Road Gujrat	Gujrat	Plot# 143, Mehmda Chowk Near Gujrat Hospital Bhimber Road, Gujrat

Branch Network

Sr. No	Br. Code	Name of Branch	City	Address
30	1930	Lahore Road	Shiekhupura	Plot# 4584, Khan Colony Lahore Road, Shiekhupura
31	1931	Satellite Town	Rawalpindi	Property # B-584, Unit # 1, B-Block, Satellite Town, Rawalpindi
32	1932	Korangi Branch	Karachi	Plot # 1-A, Sector 23, Korangi Industrial Area, Karachi
33	1933	North Nazimabad	Karachi	Shop # 1 & 2 Jasmine Heights, Plot # SC-21/A, H Block, North Nazimabad, Karachi
34	1934	Saddar Hyderabad	Hyderabad	Qasr-e-Fatima 90/1-2, Main Saddar Bazar, Hyderabad
35	1935	Main Gulberg	Lahore	58, Main Gulberg Branch, Lahore
36	1936	Dhorajee Branch	Karachi	Shop # 5,6 & 7, Al Madina Heights, Plot # 35-C/449, Berar Co-operative Housing Society, Block 7 & 8, Dhorajee, Karachi.
37	1937	F.B Industrial Area Branch	Karachi	Plot # St – 7, Sector No. 22, KDA Scheme No. 16, F.B Industrial Area, Karachi
38	1938	Taj Road, Chaman Branch	Chaman	Taj Road, Tehsil Chaman, Baluchistan
39	1939	Tehsil Road, Loralai Branch	Loralai	Shop # 372, House # 425, Tehsil Road, District Loralai, Baluchistan
40	1940	Main Balambat Road	Timargara	Zeb Plaza, Main Balambat Road, Timargara, Lower Dir, KPK
41	1941	Mingora Sawat	Sawat	Opposite Bank Square Mingora Bazar Sawat, KPK





We value your Faith

### Principal Office

339 Block Z, Phase III, DHA Lahore Cantt.

UAN: +92-111-622-425 PABX: +92-42- 35690391-4

[www.mcbislamicbank.com](http://www.mcbislamicbank.com)