



We value your Faith

FIRST QUARTER REPORT 2016



Contents

01	Vision and Mission	02
02	Credit Rating	03
03	Corporate Information	04
04	Directors' Report to the Shareholders	05
05	Condensed Interim Statement of Financial Position	10
06	Condensed Interim Profit and Loss Account	11
07	Condensed Interim Statement of Comprehensive Income	12
08	Condensed Interim Cash Flow Statement	13
09	Condensed Interim Statement of Changes in Equity	14
10	Notes to and forming part of the Condensed Interim Financial Information	15
11	Branch Network	24

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

Board of Directors	<p>Mr. Ahmed Ebrahim Hasham <i>Chairman</i></p> <p>Mr. Khalid Mahmood Bhaimia</p> <p>Mr. M.U.A. Usmani</p> <p>Mr. Omair Safdar</p> <p>Mr. Ali Muhammad Mahoon <i>President & CEO</i></p> <p>(* Mr. Muhtashim Ahmad Ashai Ex-Chairman, Mr. Muhammad Nauman Chughtai and Mr. Usman Hassan resigned from the Board of Directors' on March 15, 2016)</p>	<p>Independent Director</p> <p>Independent Director</p> <p>Non-Executive Director</p> <p>Non-Executive Director</p> <p>Executive Director</p>
Audit Committee	<p>Mr. Khalid Mahmood Bhaimia</p> <p>Mr. Omair Safdar</p>	<p>Chairman</p> <p>Member</p>
Human Resource and Remuneration Committee	<p>Mr. Ahmed Ebrahim Hasham</p> <p>Mr. M.U.A. Usmani</p> <p>Mr. Omair Safdar</p>	<p>Member</p> <p>Member</p> <p>Member</p>
Risk Management and Portfolio Review Committee	<p>Mr. Ahmed Ebrahim Hasham</p> <p>Mr. Omair Safdar</p>	<p>Member</p> <p>Member</p>
Board Evaluation Committee	<p>Mr. Ahmed Ebrahim Hasham</p> <p>Mr. Omair Safdar</p>	<p>Member</p> <p>Member</p>
Shari'ah Board	<p>Prof. Mufti Munib-ur-Rehman</p> <p>Mufti Syed Sabir Hussain</p> <p>Mufti Muhammad Imran</p>	<p>Chairman</p> <p>Resident Shari'ah Board Member</p> <p>Shari'ah Board Member</p>
Chief Financial Officer	Syed Iftikhar Hussain Rizvi	
Company Secretary	Ms. Maimoona Cheema	
Head of Internal Audit	Mr. Muhammad Tariq Gondal	
Head Shari'ah Audit	Mr. Ashfaq Ahmad	
Legal Advisor	Cornelius, Lane & Mufti Advocates and Solicitors.	
Auditors	M/s A.F. Ferguson & Co., Chartered Accountants.	
Registered Office/ Head Office	T-59, Phase II, DHA Lahore.	
Website	www.mcbislamicbank.com	

Directors' Report to the Shareholders

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 quarter ended March 31, 2016.

Highlights of the period under review are as follows:

	March 31, 2016	December 31, 2015	Growth
	Rs. in Million		%
Balances with other banks	5,620	8,151	-31.05
Islamic financings and related assets – net	2,990	973	207.30
Investments – net	1,134	624	81.73
Deposits	163	38	328.95
Book value per share (Rupees)	9.983	9.984	-0.01

	March 31, 2016
	Rs. in Million
Net spread earned	117
Profit before taxation	40
Profit after taxation	21
Basic / diluted earnings per share (Rupees)	0.021

Performance Review

Alhamdulillah, the Bank has performed well during the first quarter of CY16 under review. While keeping an eye on the portfolio health, the Bank was able to increase its financings by 207.30%. The financing portfolio continues to remain well diversified in major sectors including sugar & allied products, pharma, energy, etc. The Bank is in process of introducing more innovative and Shari'ah compliant products to penetrate and make visibility in both consumer & corporate segments. Investments grew by 81.73% which includes investments in Sukuk and equity securities. Total deposits also increased by 328.95%, ensuring the right mix of portfolio at lower cost.

Out of total income of 164.07 million, profit earned from financings/ investments/ placements contributed Rs. 118.34 million making a contribution of 72.13%. Other income contributed Rs. 45.73 million which mainly includes dividend income amounted to Rs. 15.61 million and capital gains on sale of securities Rs. 28.15 million showing encouraging sign in Shari'ah compliant equity market.

The Bank is fully aware of the importance of strong branch network duly supported by an IT infrastructure equipped with best technologies of modern world financial services. The Bank is actively working to ensure opening of 26 new branches as per Bank's branch expansion plan this year. Total administrative expenses stood at 108.17 million which mainly represents operational and infrastructural initiatives.

The Board of Directors in their meeting held on October 19, 2015 approved a Scheme of Compromise, Arrangement and Reconstruction (the Scheme) with MCB. The Scheme envisages transfer of the MCB's domestic Islamic Banking Operations subject to approval by the Bank's shareholders and sanction by the Honourable Lahore High Court whereunder, after requisite approvals, the assets, rights, liabilities and obligations of the MCB relating to domestic Islamic Banking operations will be transferred to and vested in the Bank.

The Bank filed a petition in the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under section 284 to 288 of the Companies Ordinance, 1984. The Bank's shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on January 8, 2016. However, the sanction of the Scheme, and other related orders facilitating its implementation from the Honourable Lahore High Court are still awaited.

Directors' Report to the Shareholders

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).

Future Outlook

With this encouraging beginning, forthcoming acquisition of MCB's domestic Islamic Banking Operations and on-going infrastructure enhancement activities we expect a sizable growth both in bank's operations, customer base and outreach across Pakistan. The Bank remained committed in providing best Shari'ah compliant banking services that meet the expectations of its customers and continued its vigorous efforts to build customer based healthy portfolio and increase market share.

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 to the growth of this franchise under challenging business conditions.

For & on behalf Board of Directors



Ahmed Ebrahim Hasham
Chairman
April 13, 2016

ڈائریکٹرز کی رپورٹ

ایم سی بی اسلامک بینک لمیٹڈ (بینک) کے بورڈ آف ڈائریکٹرز کی طرف سے میں انتہائی مسرت کے ساتھ 31 مارچ 2016 کو تکمیل شدہ سہ ماہی کی مختصر مالیاتی معلومات پیش کر رہا ہوں۔

زیر جائزہ مدت کی جھلکیاں مندرجہ ذیل ہیں:

شرح اضافہ	31 دسمبر 2015	31 مارچ 2016
فیصد	ملین روپے	ملین روپے
-31.05	8,151	5,620
207.30	973	2,990
81.73	624	1,134
328.95	38	163
-0.01	9.984	9.983

دیگر بینکوں کے ساتھ میزانیہ

اسلامک فنانسنگ و متعلقہ اثاثہ جات (خالص)

سرمایہ کاری (خالص)

ڈپازٹس

فی حصص قیمت (روپے)

31 مارچ 2016

ملین روپے

117

40

21

0.021

خالص منافع

ٹیکس سے قبل منافع

ٹیکس کے بعد منافع

فی حصص منافع (روپے)

کارکردگی کا جائزہ:

الحمد للہ بینک نے اس سال زیر جائزہ 2016 کی پہلی سہ ماہی میں اچھی کارکردگی کا مظاہرہ کیا ہے۔ پورٹ فولیو کی کارکردگی کو مد نظر رکھتے ہوئے بینک نے اپنی فنانسنگ میں 207.30 فیصد اضافہ کیا۔ بینک کا فنانسنگ پورٹ فولیو کو عملی کامیابی کے ساتھ مختلف اور اہم شعبہ جات بشمول شکر اور متعلقہ مصنوعات، دو سازی اور توانائی وغیرہ میں جاری رہا۔ بینک اپنے انفرادی اور ادارتی صارفین کے لئے شریعت کے مطابق جدید مصنوعات متعارف کروانے کے لئے کوشاں ہے جو بینکاری نظام میں ہمارے تعارف اور حوضہ کا باعث ہو۔ سرمایہ کاری 81.73 فیصد سے بڑھی جس میں صکوک اور ایکویٹی سیکیورٹیز میں سرمایہ کاری شامل ہیں۔ مجموعی ڈپازٹس 328.95 فیصد سے بڑھے اور اس بات کو یقینی بنانے کی کوشش کی گئی کہ پورٹ فولیو کی لاگت کم سے کم رہے۔

164.07 ملین روپے کی مجموعی آمدنی میں سے، فنانسنگ اور سرمایہ سے حاصل شدہ منافع 118.34 ملین روپے رہا، جو کہ مجموعی آمدنی کا 72.13 فیصد ہے۔ دیگر آمدنی کا حوضہ 45.73 ملین روپے رہا جس میں ڈیویڈنڈ آمدنی 15.61 ملین روپے اور سیکیورٹیز کی فروخت پر آمدنی 28.15 ملین روپے رہی، جو کہ شریعت کے مطابق حصص بازار میں ایک حوصلہ افزا علامت ہے۔

بینک ایک ایسے مضبوط برانچ نیٹ ورک کی اہمیت سے بخوبی آگاہ ہے، جسے مالیاتی خدمات کی بہترین ٹیکنالوجی سے لیس انفارمیشن ٹیکنالوجی کے بنیادی ڈھانچے کی مدد حاصل ہو۔ بینک فعال طور پر اس سال اپنی برانچوں کی توسیع کی منصوبہ بندی کے مطابق 26 نئی برانچوں کے افتتاح کو یقینی بنانے کے لئے کام کر رہا ہے۔ مجموعی انتظامی اخراجات 108.17 ملین روپے رہے، جن کا زیادہ تر تعلق آپریشنل اور بنیادی ڈھانچے کے اخراجات سے ہے۔

بورڈ آف ڈائریکٹرز نے 19 اکتوبر 2015 کو منعقد کی جانے والی میٹنگ میں ایم سی بی کے ساتھ ایک اسکیم کی منظوری دی، جو کہ سمجھوتہ، انتظام اور تعمیر نو پر مشتمل ہے۔ یہ اسکیم ایم سی بی کے ملکی اسلامی بینکاری کے آپریشن کی منتقلی کی حمایت کرتی ہے بشرطیکہ بینک کے شرکاء اور معزز لاہور ہائی کورٹ اس کی منظوری دیں۔ اس مطلوبہ منظوری کے بعد ایم سی بی کے ملکی اسلامی آپریشن کے تمام اثاثہ جات، اختیارات، واجبات اور ذمہ داریاں بینک کی ذاتی حیثیت میں منتقل ہو جائیں گی۔ بینک نے اسکیم کی منظوری اور کمپنیز آرڈیننس کے سیکشن 284 تا 288 کے تحت منصوبہ بندی کے عمل میں سہولت فراہم کرنے والے دیگر احکامات کے لئے معزز لاہور ہائی کورٹ میں ایک درخواست دائر کی ہے۔ بینک کے شرکاء داروں نے 8 جنوری 2016 کو منعقد ہونے والی غیر معمولی جنرل میٹنگ میں اسکیم کی منظوری دیدی ہے۔ جبکہ معزز لاہور ہائی کورٹ کی طرف سے اسکیم کی منظوری اور اس کے عمل میں سہولت ہم پہنچانے والے دیگر متعلقہ احکامات کا اجماعی انتظار ہے۔

کریڈٹ ریٹنگ:

پاکستان کریڈٹ 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۔

مستقبل کا پیش منظر:

اس حوصلہ افزا آغاز کے ساتھ اور مستقبل میں بینک کا ایم سی بی کی ملکی اسلامی بینکاری آپریشن کے حصول اور موجودہ بنیادی ڈھانچے کو بہتر بنانے کی سرگرمیوں کے ساتھ ہم کھاتے داروں میں نمایاں اضافے اور ان کی توقعات پر پورا اترنے کی امید کرتے ہیں۔ بینک اپنے صارفین کو شریعت کے مطابق بہترین بینکاری کی خدمات فراہم کرنے کے لئے پرعزم اور مصروف عمل ہے۔ ہم پورٹ فولیو کی بہترین کارکردگی اسکی تعمیر اور بینکاری نظام میں اپنے حصے میں اضافے کے لئے بھی کوشاں ہیں۔

تسلیم و تحسین:

بورڈ آف ڈائریکٹرز اور مینجمنٹ کی جانب سے میں اپنے تمام صارفین، کاروباری شرکاء اور حصص یافتگان کو ان کی مہربانیوں اور اعتماد پر تہ دل سے شکریہ ادا کرتا ہوں۔ اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر تنظیمیں اداروں کا بھی ان کی مسلسل رہنمائی اور مدد پر شکر گزار ہوں۔ 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 طرف سے

Ahmed El-Hel -

احمد ابراہیم ہشام

چیئرمین

13 اپریل 2016



We value your Faith

Condensed Interim Financial Information

Condensed Interim Statement of Financial Position

AS AT MARCH 31, 2016

ASSETS

Note	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	----- Rupees in '000 -----	
	103,735	56,880
	5,620,054	8,150,590
	-	-
6	1,133,661	624,159
7	2,989,593	972,634
8	289,723	170,119
9	20,109	9,388
10	139,992	124,121
	10,296,867	10,107,891

LIABILITIES

	3,269	-
	-	-
11	163,462	37,669
	-	-
	-	-
12	146,891	85,939
	313,622	123,608

NET ASSETS

9,983,245	9,984,283
------------------	------------------


REPRESENTED BY


Share capital	13	10,000,000	10,000,000
Reserves		13,715	9,517
Unappropriated profit		17,167	373
		10,030,882	10,009,890
Deficit on revaluation of assets - net of tax		(47,637)	(25,607)
		9,983,245	9,984,283

CONTINGENCIES AND COMMITMENTS

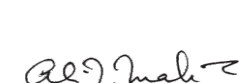
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The annexed notes 1 to 20 form an integral part of this condensed interim financial information.


AHMED EBRAHIM HASHAM
CHAIRMAN


OMAIR SAFDAR
DIRECTOR


KHALID MAHMOOD BHAIMIA
DIRECTOR



ALI MUHAMMAD MAHOON
PRESIDENT / CEO


Condensed Interim Profit and Loss Account (Un-Audited)

FOR THE QUARTER ENDED MARCH 31, 2016

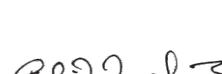
	Note	March 31, 2016	2015
		Rupees in '000	
Profit / return earned		118,343	-
Profit / return expensed		1,104	-
Net spread earned		117,239	-
Provision against non-performing Islamic financing and related assets - net	7.1	15,000	-
Provision for diminution in the value of investments - net		-	-
Bad debts written off directly		-	-
		15,000	-
Net spread after provisions		102,239	-
Other income			
Fee, commission and brokerage income		1,450	-
Dividend income		15,610	-
Income from dealing in foreign currencies		524	-
Gain on sale of securities - net		28,146	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net		-	-
Other income		-	-
Total other income		45,730	-
		147,969	-
Other expenses			
Administrative expenses		107,158	-
Provision against other assets - net		-	-
Other charges		1,010	-
Total other expenses		108,168	-
Extra ordinary / unusual items		-	-
Profit before taxation		39,801	-
Taxation			
- Current		(17,667)	-
- Prior periods		-	-
- Deferred		(1,142)	-
		(18,809)	-
Profit after taxation		20,992	-
		Rupees	
Basic / diluted earnings per share	15	0.021	-

The annexed notes 1 to 20 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

Condensed Interim Statement of Comprehensive Income (Un-Audited)

FOR THE QUARTER ENDED MARCH 31, 2016

	March 31, 2016	2015
	Rupees in '000	
Profit after taxation for the quarter	20,992	-
Other comprehensive income for the quarter	-	-
Total comprehensive profit for the quarter transferred to equity	20,992	-
<i>Items that may be reclassified to profit and loss account</i>		
Components of comprehensive income not reflected in equity		
Deficit on revaluation of available for sale investments	(33,893)	-
Related deferred tax asset	11,863	-
	(22,030)	-
Total comprehensive income for the quarter	(1,038)	-

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



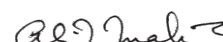
AHMED EBRAHIM HASHAM
CHAIRMAN



OMAIR SAFDAR
DIRECTOR



KHALID MAHMOOD BHAIMIA
DIRECTOR




ALI MUHAMMAD MAHOON
PRESIDENT / CEO


Condensed Interim Cash Flow Statement (Un-Audited)

FOR THE QUARTER ENDED MARCH 31, 2016

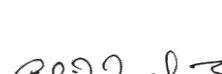
	Note	March 31, 2016	2015
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		39,801	-
Less: Dividend income		(15,610)	-
		24,191	-
Adjustments for non-cash and other items			
Depreciation - Owned assets		2,449	-
Provision against non-performing Islamic financing and related assets - net	7.1	15,000	-
Provision for diminution in the value of investments - net		-	-
Provision against other assets		-	-
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net		-	-
Gain on sale of securities - net		(28,146)	-
		(10,697)	-
		13,494	-
(Increase) / decrease in operating assets			
Islamic financing and related assets		(2,031,959)	-
Other assets (excluding advance taxation, dividend receivable)		(27,134)	-
		(2,059,093)	-
Increase / (decrease) in operating liabilities			
Bills payable		3,269	-
Deposits and other accounts		125,793	-
Other liabilities		60,952	-
		190,014	-
		(1,855,585)	-
Income tax paid		(4,435)	-
Net cash used in operating activities		(1,860,020)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(1,011,189)	-
Dividend income received		13,641	-
Proceeds from sale of available for sale securities		495,940	-
Investment in operating fixed assets	8.2	(122,053)	-
Net cash used in investing activities		(623,661)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	10,000,000
Net cash flow generated from financing activities		-	10,000,000
(Decrease) / increase in cash and cash equivalents during the period			
		(2,483,681)	10,000,000
Cash and cash equivalents at the beginning of the period		8,207,470	-
Cash and cash equivalents at the end of the period	16	5,723,789	10,000,000

The annexed notes 1 to 20 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


Condensed Interim Statement of Changes in Equity (Un-Audited)

FOR THE QUARTER ENDED MARCH 31, 2016

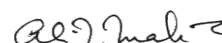
	Share Capital	Statutory reserve	Revenue reserve	Unappropriated Profit	Total
	Rupees in '000				
Balance as at January 01, 2015	-	-	-	-	-
Issue of share capital	10,000,000	-	-	-	10,000,000
Profit for the quarter ended March 31, 2015	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Other comprehensive income for the quarter	-	-	-	-	-
Balance as at March 31, 2015	10,000,000	-	-	-	10,000,000
Loss for the period ended June 30, 2015	-	-	-	(37,693)	(37,693)
Balance as at June 30, 2015	10,000,000	-	-	(37,693)	9,962,307
Profit for the period ended December 31, 2015	-	-	-	47,583	47,583
Transfer to statutory reserves	-	9,517	-	(9,517)	-
Other comprehensive income for the quarter	-	-	-	-	-
Balance as at December 31, 2015	10,000,000	9,517	-	373	10,009,890
Profit for the quarter ended March 31, 2016	-	-	-	20,992	20,992
Transfer to statutory reserves	-	4,198	-	(4,198)	-
Other comprehensive income for the quarter	-	-	-	-	-
Balance as at March 31, 2016	10,000,000	13,715	-	17,167	10,030,882

The annexed notes 1 to 20 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 QUARTER ENDED MARCH 31, 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 read with BPRD Circular No. 01 of 2015 through State Bank of Pakistan (SBP) letter no. BPRD (LD-01)/850-MCBIBL/2015-20362 dated September 14, 2015 and formally commenced operations as a Scheduled Bank on October 15, 2015, on receiving notification in this regard from the SBP under section 37 of the State Bank of Pakistan Act, 1956.
- 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 06 branches (December 31, 2015: 06 branches) within Pakistan.
- 1.4 The Board of Directors in their meeting held on October 19, 2015 approved a Scheme of Compromise, Arrangement and Reconstruction (the Scheme) with MCB. The Scheme envisages transfer of the MCB's domestic Islamic Banking operations subject to approval by the Bank's shareholders and sanction by the Honourable Lahore High Court whereunder, after requisite approvals, the assets, rights, liabilities and obligations of the MCB relating to domestic Islamic Banking operations will be transferred to and vested in the Bank.

The Bank filed a petition in the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under section 284 to 288 of the Companies Ordinance, 1984. The Bank's shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on January 8, 2016.

Under the Scheme, from September 30, 2015 (the effective date) and until the date on which this Scheme becomes operative pursuant to the provisions of Article 14 of this Scheme, and is the date on which the assets, liabilities and operation of Islamic Banking Group of MCB are transferred to and vested in the Bank by virtue of and Order of the Court under section 287 (1) of the Companies Ordinance, 1984 (completion date), the domestic Islamic Business will be deemed to have been carried on by MCB for and on account and for the benefit of the Bank. On this basis, all profits and losses accruing or arising to or incurred by MCB through the operation of the domestic Islamic Business from the effective date (i.e. September 30, 2015) shall be treated as the profits or losses, as the case may be, of the Bank.

The scheme, although operative from the effective date, shall take effect finally upon and from the date on which the last of the aforesaid sanctions or approvals or orders shall have been obtained, and such date shall be the completion date for the purpose of the scheme.

When the Scheme becomes effective, transfer to and vesting in the Bank of the Islamic Business in accordance with the Scheme, will be treated as having taken effect from the Effective Date. The sanction of the Scheme, and other related orders facilitating its implementation from the Honourable Lahore High Court are still awaited.

2 BASIS OF PRESENTATION

The Bank provides financing through Shari'ah compliant financial products. 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 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.

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

FOR THE QUARTER ENDED MARCH 31, 2016

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 (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) 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 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 with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance 1984 and the directives issued by SECP and SBP shall prevail.
- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (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.
- 3.3** 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.
- 3.4** The SBP through BSD circular letter No. 7 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard-1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e., separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and 'Balance Sheet' shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of available for sale securities (AFS) only, shall be included in the 'Statement of Comprehensive Income' but will continue to be shown separately in the 'Statement of Financial Position'. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.
- 3.5** IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their condensed interim financial information in line with the format prescribed under BSD Circular Letter No. 2 dated May 12, 2004. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in this condensed interim financial information is based on the requirements laid down by the SBP.
- 3.6 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period**
- 3.6.1** 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.
- 3.6.2** 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.

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

FOR THE QUARTER ENDED MARCH 31, 2016

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 foreign exchange contracts are marked to market and are 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.
- 4.3 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 5.1 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.

5.2 Islamic financing and related assets

5.2.1 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.

5.2.2 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.

5.3 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 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.

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

FOR THE QUARTER ENDED MARCH 31, 2016

6 INVESTMENTS - NET

6.1 Investments by types

	March 31, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----						
Available-for-sale securities						
Fully paid up ordinary shares - listed	764,621	-	764,621	663,554	-	663,554
Sukuk certificates	442,328	-	442,328	-	-	-
Investments at cost	1,206,949	-	1,206,949	663,554	-	663,554
Less: Provision for diminution in the value of investments	-	-	-	-	-	-
Investments (net of provisions)	1,206,949	-	1,206,949	663,554	-	663,554
Deficit on revaluation of investments classified as available-for-sale securities - net	(73,288)	-	(73,288)	(39,395)	-	(39,395)
Total investments at market value	1,133,661	-	1,133,661	624,159	-	624,159
				Note	(Un-audited) March 31, 2016	(Audited) December 31, 2015
					----- Rupees in '000 -----	

7 ISLAMIC FINANCING AND RELATED ASSETS - NET

In Pakistan		
- Murabaha	676,671	-
- Inventory held under murabaha	700,000	-
- Diminishing musharakah	900,000	900,000
- Advances against diminishing musharakah	604,000	-
- Staff finance	123,922	72,634
Islamic financing and related assets - gross	3,004,593	972,634
Provision against non performing Islamic financing and related assets		
- Specific	(15,000)	-
- General	(15,000)	-
	7.1	-
Islamic financing and related assets - net of provision	2,989,593	972,634

7.1 Particulars of provision against Islamic financing and related assets

	March 31, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	-	-	-	-	-	-
Charge for the period	-	15,000	15,000	-	-	-
Reversals during the period	-	-	-	-	-	-
	-	15,000	15,000	-	-	-
Closing balance	-	15,000	15,000	-	-	-

7.1.1 The Bank has maintained 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.

		(Un-audited) March 31, 2016	(Audited) December 31, 2015
		----- Rupees in '000 -----	
8 OPERATING FIXED ASSETS			
Capital work-in-progress	8.1	252,517	135,975
Property and equipment		37,206	34,144
		289,723	170,119

8.1 It includes payment made for core banking system i.e. Flexcube amounting to Rs. 126.6 million (December 31, 2015: Rs. 115 million).

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

FOR THE QUARTER ENDED MARCH 31, 2016

		(Un-audited) For the quarter ended March 31, 2016 2015 ----- Rupees in '000 -----	
8.2	Additions to operating fixed assets - cost		
	Civil works	23,497	-
	Furniture and fixtures	7,368	-
	Office equipment	9,219	-
	Computer equipment	8,567	-
	Computer software	49,090	-
	Advance to supplier and vendors	24,312	-
		<u>122,053</u>	<u>-</u>
		(Un-audited) March 31, 2016	(Audited) December 31, 2015 ----- Rupees in '000 -----
9	DEFERRED TAX ASSETS - NET		
	Deferred credits arising due to:		
	Accelerated tax depreciation	(6,266)	(4,400)
		<u>(6,266)</u>	<u>(4,400)</u>
	Deferred debits arising in respect of		
	Workers welfare fund	724	-
	Deficit on revaluation of available for sale investments	25,651	13,788
		<u>20,109</u>	<u>9,388</u>
10	OTHER ASSETS		
	Profit / return accrued in local currency	58,645	48,709
	Advances, deposits, advance rent and other prepayments	55,048	46,849
	Advance taxation (payments less provisions)	7,602	20,834
	Dividend receivable	9,481	7,512
	Receivable under sale of shares settlement	8,840	-
	Stationary and stamps	376	217
		<u>139,992</u>	<u>124,121</u>
	Less: Provision held against other assets	-	-
		<u>139,992</u>	<u>124,121</u>
11	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	82,000	-
	Saving deposits	64,444	33,917
	Current accounts - Non Remunerative	17,018	3,752
	Margin accounts	-	-
		<u>163,462</u>	<u>37,669</u>
	Financial institutions		
	Remunerative deposits	-	-
	Non-remunerative deposits	-	-
		<u>-</u>	<u>-</u>
		<u>163,462</u>	<u>37,669</u>
11.1	Particulars of deposits		
	In local currency	139,723	37,669
	In foreign currencies	23,739	-
		<u>163,462</u>	<u>37,669</u>
11.2	It includes deposits from related parties amounting to Rs. 5.988 million (December 31, 2015: 3.107 million)		

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

FOR THE QUARTER ENDED MARCH 31, 2016

	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	Rupees in '000	
12 OTHER LIABILITIES		
Profit / return payable in local currency	389	56
Profit / return payable in foreign currencies	1	-
Accrued expenses	71,610	55,825
Deferred murabaha income under Islamic financing and related assets	23,030	-
Payable against purchase of investments	44,683	25,178
Charity collection account	-	-
Income received in advance	1,169	-
Withholding tax, federal excise duty and other tax payable	779	861
Others	5,230	4,019
	<u>146,891</u>	<u>85,939</u>
13 SHARE CAPITAL		
13.1 Authorized Capital		
	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	Numbers of shares	
	<u>1,500,000,000</u>	<u>1,500,000,000</u>
Ordinary shares of Rs. 10/- each	15,000,000	15,000,000
13.2 Issued, subscribed and paid up capital		
	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	Numbers of shares	
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Fully paid in cash	10,000,000	10,000,000
14 CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes	-	120,127
14.2 Transaction-related contingent liabilities		
Guarantees favouring - beneficiary		
- Government	240,060	-
- Others	-	-
	<u>240,060</u>	<u>-</u>
14.3 Trade-related contingent liabilities		
Import letters of credit	850,883	709,631
Acceptances	-	-
	<u>850,883</u>	<u>709,631</u>
14.4 Commitments to extend credit		

The Bank makes commitment(s) to 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.

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

FOR THE QUARTER ENDED MARCH 31, 2016

		(Un-audited) For the quarter ended March 31, 2016 2015 ----- Rupees in '000 -----	
15 BASIC / DILUTED - EARNINGS PER SHARE			
Profit after taxation for the quarter		20,992	-
		-----	-----
		Number of shares	
Weighted average number of ordinary shares		1,000,000,000	1,000,000,000
		-----	-----
		Rupees in '000	
Basic / diluted earnings per share		0.021	-
There were no convertible / dilutive potential ordinary shares outstanding as at March 31, 2016 and March 31, 2015.			

		(Un-audited) For the quarter ended March 31, 2016 2015 ----- Rupees in '000 -----	
16 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		103,735	-
Balances with other banks		5,620,054	10,000,000
		5,723,789	10,000,000

17 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its key management personnel (including their associates).

The Bank enters into transactions with related parties in the normal course of business. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	Directors		Parent Company		Other Related Parties	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
	----- Rupees in '000 -----					
Balances with other banks						
Opening balance	-	-	1,873,839	10,000,000	-	-
Deposits during the period	-	-	1,952,132	7,057,445	-	-
Withdrawal during the period	-	-	(3,825,023)	(15,183,606)	-	-
Closing balance	-	-	948	1,873,839	-	-
Islamic financing and related assets						
Opening balance	21,591	-	-	-	46,199	-
Disbursed during the period	-	21,591	-	-	3,667	46,199
Repaid during the period	(670)	-	-	-	(1,666)	-
Closing balance	20,921	21,591	-	-	48,200	46,199
Others						
Other receivables	197	-	7,799	9,819	-	-
Other payables	470	-	1,500	700	-	90
Deposits						
Opening balance	10	-	-	-	3,097	-
Received during the period	-	10	-	-	6,759	3,334
Withdrawal during the period	-	-	-	-	(3,878)	(237)
Closing balance	10	10	-	-	5,978	3,097

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

FOR THE QUARTER ENDED MARCH 31, 2016

For the quarter ended March 31, 2016 (Un-audited)

	Parent company	Directors	Key Management personnel	Others	Total
	Rupees in '000				
Transactions during the period					
Non-executive directors' fees	-	60	-	-	60
Remuneration to key management personnel	-	-	17,936	-	17,936
Profit received on balances with other banks	21,228	-	-	-	21,228
Profit received on financings	-	354	855	-	1,209
Profit paid on deposits	-	-	-	10	10
Rent paid	-	-	-	-	-
Proceeds from issue of shares	-	-	-	-	-
Contribution made to provident fund	-	-	-	1,886	1,886
Payment made for expenses	100	-	-	186	286
Foreign currency purchase	421,894	-	-	-	421,894
Foreign currency sale	55,334	-	-	-	55,334

For the quarter ended March 31, 2015 (Un-audited)

	Parent company	Directors	Key Management personnel	Others	Total
	Rupees in '000				
Transactions during the period					
Non-executive directors' fees	-	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-
Profit received on balances with other banks	-	-	-	-	-
Profit received on financings	-	-	-	-	-
Profit paid on deposits	-	-	-	-	-
Rent paid	-	-	-	-	-
Proceeds from issue of shares	10,000,000	-	-	-	10,000,000
Contribution made to provident fund	-	-	-	-	-
Payment made for expenses	-	-	-	-	-
Foreign currency purchase	-	-	-	-	-
Foreign currency sale	-	-	-	-	-

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the quarter ended March 31, 2016 (Un-audited)

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Total income	92,985	48,087	1,305	21,696	164,073
Total expenses	(60,208)	(31,918)	(3,099)	(29,047)	(124,272)
Income tax expense	-	-	-	-	(18,809)
Net income	<u>32,777</u>	<u>16,169</u>	<u>(1,794)</u>	<u>(7,351)</u>	<u>20,992</u>
Segment return on assets (ROA) (%)	5.34	18.81	3.41	4.55	6.52
Segment cost of fund (%)	-	-	4.45	-	-

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

FOR THE QUARTER ENDED MARCH 31, 2016

For the quarter ended March 31, 2015 (Un-audited)					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Total income	-	-	-	-	-
Total expenses	-	-	-	-	-
Income tax expense	-	-	-	-	-
Net income	-	-	-	-	-
Segment return on assets (ROA) (%)	-	-	-	-	-
Segment cost of fund (%)	-	-	-	-	-

As At March 31, 2016 (Un-audited)					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Segment assets - Gross	5,705,103	1,423,658	233,783	2,941,721	10,304,265
Advance taxation - net					7,602
Total assets	<u>5,705,103</u>	<u>1,423,658</u>	<u>233,783</u>	<u>2,941,721</u>	<u>10,311,867</u>
Segment non performing assets	-	-	-	-	-
Segment specific provision required	-	-	-	-	-
Segment liabilities	40,494	72,959	167,690	32,478	313,622


As At December 31, 2015 (Audited)					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Segment assets - Gross	8,431,095	649,831	76,333	929,798	10,087,057
Advance taxation - net					20,834
Total assets	<u>8,431,095</u>	<u>649,831</u>	<u>76,333</u>	<u>929,798</u>	<u>10,107,891</u>
Segment non performing assets	-	-	-	-	-
Segment specific provision required	-	-	-	-	-
Segment liabilities	71,831	5,536	38,319	7,922	123,608

19 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 13, 2016 by the Board of Directors of the Bank.


20 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

AS AT MARCH 31, 2016

Sr. No.	Name of Branch	City	Address
1	Main Gulberg	Lahore	28, Main Gulberg, Lahore Branch.
2	Dhorajee Branch	Karachi	Shop # 5,6&7, Al Madina Heights, Plot # 35-C449, Survey Sheet # 35-P/1, Berar Co-operative Housing Society, Block 7 & 8, Dhorajee, Karachi.
3	F.B Industrial Area Branch	Karachi	Plot # St-7, Sector No. 22, KDA Scheme No. 16 F.B Industrial Area, Karachi.
4	Taj Road, Chaman Branch	Chaman	Khasra # 1831, Taj Road, Tehsil Chaman, District Qila Abdullah
5	Tehsil Road, Loralai, Branch	Loralai	Shop # 372, House # 42, Tehsil Road, District Loralai.
6	Main Balambat Road, Timargara Branch	Timargara	Zeb Plaza, Main Balambat Road, Timargara, Lower Dir.



We value your Faith

Principal Office

339 Block Z, Phase III, DHA Lahore Cantt.

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