

**PAK OMAN INVESTMENT
COMPANY LIMITED**

**UNCONSOLIDATED
CONDENSED INTERIM
FINANCIAL INFORMATION
(UN-AUDITED)**

**FOR THE FIRST QUARTER
ENDED 31 MARCH 2017**

Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Statement of Financial Position
As at 31 March 2017

31 March 2017 ------(US Dollars in '000)-----	31 December 2016		Note	(Un-audited) 31 March 2017 ------(Rupees in '000)-----	(Audited) 31 December 2016
ASSETS					
886	848	Cash and balances with treasury banks		92,903	88,884
9,173	15,937	Balances with other banks		961,707	1,670,921
11,562	8,926	Lendings to financial institutions		1,212,213	935,826
391,866	198,684	Investments - net	7	41,085,534	20,831,182
175,852	141,492	Advances - net	8	18,437,355	14,834,851
856	813	Operating fixed assets	9	89,697	85,263
4,635	4,191	Deferred tax assets -net	10	485,958	439,434
10,043	8,775	Other assets		1,052,943	919,994
604,873	379,666			63,418,310	39,806,355
LIABILITIES					
-	-	Bills payable		-	-
447,282	239,885	Borrowings	11	46,895,618	25,150,898
65,846	50,960	Deposits and other accounts	12	6,903,640	5,342,975
-	-	Sub-ordinated loans		-	-
15	16	Liabilities against assets subject to finance lease		1,592	1,671
-	-	Deferred tax liabilities		-	-
15,033	8,103	Other liabilities		1,576,202	849,613
528,176	298,964			55,377,052	31,345,157
76,697	80,702	NET ASSETS		8,041,258	8,461,198
REPRESENTED BY					
58,658	58,658	Share capital	13	6,150,000	6,150,000
9,648	9,389	Reserves		1,011,526	984,427
5,622	9,274	Unappropriated profit		589,463	972,325
73,928	77,321			7,750,989	8,106,752
2,769	3,381	Surplus on revaluation of assets - net of deferred tax	14	290,269	354,446
76,697	80,702			8,041,258	8,461,198
CONTINGENCIES AND COMMITMENTS					
15					

The annexed notes from 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

Chief Financial Officer

Managing Director
and Chief Executive

Managing Director
and Chief Executive

Chairman

Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)
For the first quarter ended 31 March 2017

31 March 2017	31 March 2016		Note	31 March 2017	31 March 2016
------(US Dollars in '000)-----				------(Rupees in '000)-----	
7,118	5,607	Mark-up/return/interest earned		746,264	587,861
5,180	3,295	Mark-up/return/interest expensed		543,138	345,509
1,938	2,312	Net mark-up/ interest income		203,126	242,352
(128)	(777)	(Reversal) of provision against non -performing advances		(13,417)	(81,419)
-	10	Provision for diminution in the value of investments		-	1,092
-	-	Bad debts written off directly		-	-
(128)	(767)			(13,417)	(80,327)
2,066	3,079	Net mark-up/ interest income after provisions		216,543	322,679
NON MARK-UP/INTEREST INCOME					
115	151	Fee, commission and brokerage income		12,050	15,821
72	134	Dividend income		7,570	14,023
-	-	Income from dealing in foreign currency		-	-
956	1,417	Gain on sale of securities		100,279	148,541
(28)	308	Unrealised (loss) / gain on revaluation of investments classified as 'held-for-trading' securities		(2,965)	32,261
-	-	Other income		-	-
1,115	2,010	Total non -mark up/interest income		116,934	210,646
3,181	5,089			333,477	533,325
NON MARK-UP/INTEREST EXPENSES					
1,287	1,189	Administrative expenses		134,920	124,695
-	-	Other write offs / provisions		-	-
116	54	Other charges		12,181	5,704
1,403	1,243	Total non-mark up/interest expenses		147,101	130,399
1,778	3,846			186,376	402,926
-	-	Extra ordinary /unusual items		-	-
1,778	3,846	PROFIT BEFORE TAXATION		186,376	402,926
769	859	Taxation - current		80,607	90,077
-	-	- prior		-	-
(284)	440	- deferred		(29,726)	46,084
485	1,299			50,881	136,161
1,293	2,547	PROFIT AFTER TAXATION		135,495	266,765
----- US Dollar -----				-----Rupees-----	
0.0021	0.0041	Basic and diluted earnings per share	16	0.22	0.43

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Chief Financial Officer

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Pak Oman Investment Company Limited

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the first quarter ended 31 March 2017

31 March 2017 -----(US Dollars in '000)-----	31 March 2016		31 March 2017 ------(Rupees in '000)-----	31 March 2016
1,293	2,547	PROFIT AFTER TAXATION	135,495	266,765
		Other comprehensive income		
-	-	Items that may be reclassified subsequently to profit and loss account	-	-
<u>1,293</u>	<u>2,547</u>	Comprehensive income transferred to equity	<u>135,495</u>	<u>266,765</u>
		Component of comprehensive income not transferred to equity		
(765)	885	(Deficit) / surplus on revaluation of 'available for sale' investments	(80,233)	92,792
160	(295)	Related tax impact	16,798	(30,943)
(605)	590		(63,435)	61,849
<u>688</u>	<u>3,137</u>	Total comprehensive income	<u>72,060</u>	<u>328,614</u>

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Chief Financial Officer

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Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the first quarter ended 31 March 2017

31 March 2017 ------(US Dollars in '000)-----	31 March 2016		Note	31 March 2017 ------(Rupees in '000)-----	31 March 2016
CASH FLOW FROM OPERATING ACTIVITIES					
1,778	3,846	Profit before taxation		186,376	402,926
72	134	Less: Dividend income		7,570	14,023
<u>1,706</u>	<u>3,712</u>			<u>178,806</u>	<u>388,903</u>
Adjustments for non-cash charges					
117	66	Depreciation		12,227	6,947
1	-	Amortisation of intangible assets		134	20
28	(308)	Unrealised loss / (gain) on revaluation of investments classified as 'held-for-trading' securities		2,965	(32,261)
(128)	(777)	(Reversal) of provision against non -performing advances		(13,417)	(81,419)
-	10	Provision for diminution in the value of investments		-	1,092
<u>18</u>	<u>(1,009)</u>			<u>1,909</u>	<u>(105,621)</u>
<u>1,724</u>	<u>2,703</u>			<u>180,715</u>	<u>283,282</u>
(Increase) / decrease in operating assets					
(2,636)	(317)	Lendings to financial institutions		(276,387)	(33,275)
(110,999)	(90,851)	Net Investments in held-for-trading securities		(11,637,821)	(9,525,356)
(34,232)	(9,208)	Advances		(3,589,087)	(965,396)
(1,697)	1,294	Other assets		(177,913)	135,701
<u>(149,564)</u>	<u>(99,082)</u>			<u>(15,681,208)</u>	<u>(10,388,326)</u>
Increase / (decrease) in operating liabilities					
207,397	89,631	Borrowings		21,744,720	9,397,419
14,885	(6,201)	Deposits and other accounts		1,560,665	(650,191)
2,237	(729)	Other liabilities		234,589	(76,291)
<u>224,519</u>	<u>82,701</u>			<u>23,539,974</u>	<u>8,670,937</u>
<u>76,679</u>	<u>(13,678)</u>			<u>8,039,481</u>	<u>(1,434,107)</u>
(365)	(707)	Income tax paid		(38,257)	(74,115)
<u>76,314</u>	<u>(14,385)</u>	Net cash from / (used in) operating activities		<u>8,001,224</u>	<u>(1,508,222)</u>
CASH FLOW FROM INVESTING ACTIVITIES					
(82,976)	4,308	Net proceeds from / (Investments in) available-for-sale securities		(8,699,729)	451,709
-	(954)	Investment in associates		-	(100,000)
47	30	Dividend income received		4,959	3,151
(110)	(76)	Investments in operating fixed assets		(11,570)	(7,983)
<u>(83,039)</u>	<u>3,308</u>	Net cash (used in) / from investing activities		<u>(8,706,340)</u>	<u>346,877</u>
CASH FLOW FROM FINANCING ACTIVITIES					
(1)	-	Payment of lease obligation		(79)	(49)
(6,726)	(11,077)	(Decrease) in cash and cash equivalents		(705,195)	(1,161,394)
<u>16,785</u>	<u>16,030</u>	Cash and cash equivalents at beginning of the period		<u>1,759,805</u>	<u>1,680,681</u>
<u>10,059</u>	<u>4,953</u>	Cash and cash equivalents at the end of the period	19	<u>1,054,610</u>	<u>519,287</u>

The annexed notes from 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

Chief Financial Officer

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Pak Oman Investment Company Limited
 Unconsolidated Condensed Interim Statement of Changes in Equity (Un-Audited)
 For the first quarter ended 31 March 2017

	Issued, subscribed and paid up capital	Reserves		Unappropriated profit	Total
		Statutory reserve	General reserve		
------(Rupees in '000)-----					
Balance as at 01 January 2016	6,150,000	831,674	11,630	776,899	7,770,203
Total comprehensive income					
Net profit after tax for the first quarter ended 31 March 2016	-	-	-	266,765	266,765
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	266,765	266,765
Transfers					
Transfer to statutory reserve	-	53,353	-	(53,353)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2015 (Re. 0.60 per share)	-	-	-	(369,000)	(369,000)
Balance as at 31 March 2016	6,150,000	885,027	11,630	621,311	7,667,968
Balance as at 01 January 2017	6,150,000	972,797	11,630	972,325	8,106,752
Total comprehensive income					
Net profit after tax for the first quarter ended 31 March 2017	-	-	-	135,495	135,495
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	135,495	135,495
Transfers					
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	742	742
Transfer to statutory reserve	-	27,099	-	(27,099)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2016 (Re. 0.80 per share)	-	-	-	(492,000)	(492,000)
Balance as at 31 March 2017	6,150,000	999,896	11,630	589,463	7,750,989

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1. LEGAL STATUS AND NATURE OF BUSINESS

Pak Oman Investment Company Limited (the Company) was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the Company was converted into a public limited company. It is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The Company's objectives inter alia include promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment bank. The registered office of the company is situated at 1st Floor, Tower A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The Company is designated as a development financial institution (DFI) under BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

2. BASIS OF PREPARATION

The disclosures made in this unconsolidated condensed interim financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2016.

The US dollar amounts shown in the unconsolidated condensed interim statement of financial position, unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted into US Dollars at a rate of Rs.104.8458 = 1 US dollar for the first quarter ended 31 March 2017 and the corresponding period.

3. STATEMENT OF COMPLIANCE

This unconsolidated condensed interim financial information of the Company have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – Interim Financial Reporting, provisions of the Companies Ordinance, 1984, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case where requirements differ, the provisions of the Companies Ordinance, 1984 and the said directives shall prevail.

The SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Non Banking Financial Institutions in Pakistan vide BSD Circular Letter number 11 dated September 11, 2002, till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' has not been made applicable for banks and NBFCs. Therefore, it is also not applicable on the Company as it follows the same format of reporting as made applicable on Banks by the SBP and accordingly, the requirements of this standard have not been considered in the preparation of this unconsolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial information are consistent with those applied in preparation of financial statements for the year ended 31 December 2016.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this unconsolidated condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2016.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended 31 December 2016.

7. INVESTMENTS - net

Note	31 March 2017 (Un-audited)			31 December 2016 (Audited)		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
------(Rupees in '000)-----						
7.1 Investments by types						
Held-for-trading securities						
Pakistan investment bonds	1,345,716	7,388,179	8,733,895	602,866	1,036,725	1,639,591
Market treasury bills (T-Bills)	1,312,125	4,961,832	6,273,957	430,275	1,370,506	1,800,781
Listed ordinary shares	111,447	-	111,447	41,106	-	41,106
	2,769,288	12,350,011	15,119,299	1,074,247	2,407,231	3,481,478
Available-for-sale securities						
Pakistan investment bonds	110,503	6,224,011	6,334,514	183,630	2,423,324	2,606,954
Market treasury bills (T-Bills)	-	14,835,498	14,835,498	194,832	9,733,012	9,927,844
Listed ordinary shares	585,068	-	585,068	653,703	-	653,703
Unlisted ordinary shares	121,333	226,000	347,333	121,333	226,000	347,333
Sukuk certificates	1,059,687	-	1,059,687	1,146,159	-	1,146,159
Term finance certificates (TFCs)	1,942,478	-	1,942,478	1,723,926	-	1,723,926
	3,819,069	21,285,509	25,104,578	4,023,583	12,382,336	16,405,919
Associates						
Japan Power Generation Limited	-	70,726	70,726	-	70,726	70,726
Pak Oman Microfinance Bank Limited	384,708	-	384,708	384,708	-	384,708
Pak Oman Advantage Islamic Income Fund	165,025	-	165,025	165,025	-	165,025
Pak Oman Islamic Asset Allocation Fund	92,414	-	92,414	92,414	-	92,414
Pak Oman Advantage Asset Allocation Fund	84,078	-	84,078	84,078	-	84,078
Pak Oman Government Securities Fund	249,000	-	249,000	249,000	-	249,000
	975,225	70,726	1,045,951	975,225	70,726	1,045,951
Subsidiary						
Pak Oman Asset Management Company Limited	498,300	-	498,300	498,300	-	498,300
Investments at cost	8,061,882	33,706,246	41,768,128	6,571,355	14,860,293	21,431,648
Less: Provision for diminution in the value of investments	934,339	70,726	1,005,065	935,409	70,726	1,006,135
Investments - net of provisions	7,127,543	33,635,520	40,763,063	5,635,946	14,789,567	20,425,513
(Loss) / gain on revaluation of held-for-trading securities	(7,722)	795	(6,927)	(2,229)	(1,733)	(3,962)
Surplus on revaluation of available-for-sale securities	42,493	286,905	329,398	117,230	292,401	409,631
Total investments at carrying value	7,162,314	33,923,220	41,085,534	5,750,947	15,080,235	20,831,182

7.2 As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited Shares shall be held by the respective trustees for the TFC issues in their names for and on behalf of TFC Holders who shall be the beneficial owners of the subject shares in proportion to their holdings. The Trustees for the TFC issue are authorised pursuant to shareholders investors agreement to hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer.

	(Un-audited)	(Audited)
	31 March 2017	31 December 2016
	------(Rupees in '000)-----	
8. ADVANCES - net		
Loans in Pakistan	16,559,937	13,169,367
Margin Trading	1,154,743	841,195
Net investment in finance lease in Pakistan	1,774,536	1,889,567
Advances - gross	19,489,216	15,900,129
Less: Provision for non-performing advances - Specific	(1,051,760)	(1,065,205)
Provision for non-performing advances - General	(101)	(73)
	(1,051,861)	(1,065,278)
Advances - net of provision	18,437,355	14,834,851

8.1 Advances include amount aggregating Rs. 1,197.359 million (31 December 2016: Rs. 1,218.843 million), which have been placed under the non-performing status as detailed below:

Category of classification	31 March 2017 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	------(Rupees in '000)-----				
Substandard	-	-	-	-	-
Doubtful	264,755	-	264,755	130,938	130,938
Loss	932,604	-	932,604	920,822	920,822
	1,197,359	-	1,197,359	1,051,760	1,051,760
Category of classification	31 December 2016 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	------(Rupees in '000)-----				
Substandard	11,877	-	11,877	2,969	2,969
Doubtful	252,878	-	252,878	125,000	125,000
Loss	954,088	-	954,088	937,236	937,236
	1,218,843	-	1,218,843	1,065,205	1,065,205

8.2 Particulars of provision against non-performing advances

	First quarter ended 31 March 2017 (Un-audited)			Year ended 31 December 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	1,065,205	73	1,065,278	914,462	-	914,462
Charge during the period / year	2,969	28	2,997	308,796	73	308,869
Reversal during the period / year	(16,414)	-	(16,414)	(140,690)	-	(140,690)
Net (Reversal) / charge	(13,445)	28	(13,417)	168,106	73	168,179
Less: Amounts written off during the period / year	-	-	-	(17,363)	-	(17,363)
Closing balance	1,051,760	101	1,051,861	1,065,205	73	1,065,278

(Un-Audited)

First quarter ended

31 March 2017

31 March 2016

------(Rupees in '000)-----

9. OPERATING FIXED ASSETS

During the period additions to operating fixed assets were as follows:

Owned

Office equipment	10	683
Computer equipment	117	257
Furniture and fixture	392	-
Vehicles	3,387	3,270
Capital work in progress	7,664	3,773
	<u>11,570</u>	<u>7,983</u>

(Un-Audited)

31 March 2017

(Audited)

31 December 2016

------(Rupees in '000)-----

10. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	248,833	248,833
Amortisation of premium on federal government securities	10,256	9,128
Assets subject to finance leases	44	38
Accelerated tax depreciation allowances	2,444	1,274
Revaluation on investments classified as held-for-trading	1,201	1,066
Provision against non-performing loans and advances	315,558	319,583
	<u>578,336</u>	<u>579,922</u>

Less: Deferred tax liabilities arising in respect of:

Revaluation on investments classified as available-for-sale	(96,733)	(113,531)
Revaluation of non-banking assets acquired in satisfaction of claims	(21,828)	(23,395)
Dividend receivable	(580)	(212)
Net investment in finance leases	26,763	(3,350)
	<u>(92,378)</u>	<u>(140,488)</u>
	<u>485,958</u>	<u>439,434</u>

	(Un-Audited)	(Audited)
	31 March	31 December
	2017	2016
Note	----- (Rupees in '000) -----	

11. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan:

- Long term financing facility (LTF)	11.1	1,533,627	1,229,176
- Financing facility for storage of agricultural produce (FFSAP)	11.1	5,851	6,687

Repurchase agreement borrowings	11.2	15,065,820	5,351,991
Long term borrowings	11.3	5,871,640	4,546,640
Short term running finance	11.4	443,373	480,389
Bai Muajjal	11.5	19,079,288	9,851,015
		<u>41,999,599</u>	<u>21,465,898</u>

Unsecured

Placements	11.6	1,546,019	685,000
Murabaha financing	11.7	3,350,000	3,000,000
		<u>46,895,618</u>	<u>25,150,898</u>

11.1 The Company has entered into agreements for financing with the SBP of long term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 2 to 8.20 percent per annum (2016: 2 to 10.10 percent per annum). These are repayable within 10 years (2016: 10 years).

11.2 The rate of return on these repurchase agreement borrowings, maturing in April 2017 (2016: January 2017), ranges between 5.88 to 5.95 (2016: 5.70 to 5.93) percent per annum. Securities having cost of Rs 14,591.796 million (2016: Rs 5,172.066 million) have been pledged against these borrowings.

11.3 The rate of return on these long-term borrowings ranges from 6.36 to 6.63 (2016: 6.32 to 6.56) percent per annum. The above facilities are secured against loan and advances receivables.

11.4 The rate of return on these short-term running finance facilities is three month KIBOR + 0.25% (2016: three month KIBOR + 0.25%). The above facilities are secured against loan and advances receivables.

11.5 These Bai Muajjal secured against government securities, maturing in June 2017 to February 2018 (2016: January 2017 to October 2017) and carrying rate of return ranges between 5.65 to 5.84 (2016: 5.65 to 5.87) percent per annum.

11.6 The rates of return on these placements, maturing in April 2017 to August 2017 (2016: January 2017 to February 2017) ranges between 5.25 to 6.25 (2016: 5.85 to 6.30) percent per annum.

11.7 The rates of return on these murabaha financing, maturing in April 2017 to June 2017 (2016: January 2017 to June 2017) ranges between 6.00 to 6.25 (2016: 6.15 to 6.25) percent per annum.

	(Un-Audited)	(Audited)
	31 March	31 December
	2017	2016

----- (Rupees in '000) -----

12. DEPOSITS AND OTHER ACCOUNTS

Certificate of investments - remunerative (in local currency)

Financial institutions	1,197,700	252,700
Others	5,705,940	5,090,275
	<u>6,903,640</u>	<u>5,342,975</u>

12.1 The rate of return on deposits maturing between April 2017 to May 2018 (2016: January 2017 to May 2018) is 6 to 12 (2016: 6 to 12) percent per annum.

13. SHARE CAPITAL

13.1 Authorized capital

(Un-Audited) 31 March 2017 ------(Number of shares)-----	(Audited) 31 December 2016	(Un-Audited) 31 March 2017 ------(Rupees in '000)-----	(Audited) 31 December 2016
<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
	Ordinary shares of Rs. 10 each		

13.2 Issued, subscribed and paid - up capital

<u>615,000,000</u>	<u>615,000,000</u>	<u>6,150,000</u>	<u>6,150,000</u>
	Ordinary shares of Rs. 10 each		

13.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2016: 307,495,900) ordinary shares of the Company, while 4,100 (2016: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

14. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

14.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax

Federal Government Securities		
- Pakistan investment bonds	297,544	334,258
- Treasury bills (T-Bills)	(10,831)	(8,204)
	<u>286,713</u>	<u>326,054</u>
Shares-listed	13,913	62,390
Term Finance Certificates		
- Listed	17,591	12,134
- Unlisted	1,043	1,249
	<u>18,634</u>	<u>13,383</u>
Sukuk certificates	10,138	7,804
	<u>329,398</u>	<u>409,631</u>
Deferred tax asset recognized	(96,733)	(113,531)
	<u>232,665</u>	<u>296,100</u>

14.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Revaluation of fixed assets / non-banking assets during the period / year	84,766	84,766
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(2,474)	(1,414)
	<u>82,292</u>	<u>83,352</u>
Less: Related deferred tax liability on:		
- Revaluation of fixed assets / non-banking assets during the period / year	(25,430)	(25,430)
- Incremental depreciation charged during the period / year	742	424
	<u>(24,688)</u>	<u>(25,006)</u>
	<u>57,604</u>	<u>58,346</u>
	<u>290,269</u>	<u>354,446</u>

14.2.1 Surplus on revaluation of non-banking assets arising on the property located in Lahore having a market value of RS 374.538 million on valuation report Sep 08, 2016 and property located in Karachi having a market value of Rs 43.424 million on valuation report April 07, 2016. The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments

		31 March 2017 (Un-audited)							Fair value				
Note	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total		
----- (Rupees in '000) -----													
Financial assets measured at fair value													
- Investments													
	Government Securities	15,006,773	21,456,725	-	-	-	36,463,498	-	36,463,498	-	36,463,498		
	Listed Term Finance Certificates	-	1,357,791	-	-	-	1,357,791	-	1,357,791	-	1,357,791		
	Unlisted Term Finance Certificates	-	185,945	-	-	-	185,945	-	185,945	-	185,945		
	Sukuk Certificates	-	886,489	-	-	-	886,489	-	886,489	-	886,489		
	Listed shares	105,599	544,062	-	-	-	649,661	649,661	-	-	649,661		
- Associates													
	Listed shares	-	-	-	-	-	-	103,799	-	-	103,799		
	Mutual funds	-	-	-	-	590,517	590,517	715,420	-	-	715,420		
Financial assets not measured at fair value													
	- Cash and bank balances with treasury banks	17.1	-	-	92,903	-	92,903	-	-	-	-		
	- Balances with other banks	17.1	-	-	961,707	-	961,707	-	-	-	-		
	- Lendings to financial institutions	17.1	-	-	1,212,213	-	1,212,213	-	-	-	-		
	- Unlisted shares	17.1	-	226,000	-	-	226,000	-	-	-	-		
	- Associates - unlisted shares	17.1	-	-	-	384,708	384,708	-	-	-	-		
	- Subsidiary - unlisted shares	17.1	-	-	-	340,925	340,925	-	-	-	-		
	- Advances	17.1	-	-	18,437,355	-	18,437,355	-	-	-	-		
	- Other assets	17.1	-	-	-	567,952	567,952	-	-	-	-		
			15,112,372	24,657,012	-	20,704,178	1,884,102	-	62,357,664	1,468,880	38,893,723	-	40,362,603
Financial liabilities not measured at fair value													
	- Borrowings from financial institutions	17.1	-	-	-	-	46,895,618	46,895,618	-	-	-	-	
	- Deposits and other accounts	17.1	-	-	-	-	6,903,640	6,903,640	-	-	-	-	
	- Liabilities against assets subject to finance lease	17.1	-	-	-	-	1,592	1,592	-	-	-	-	
	- Other liabilities	17.1	-	-	-	-	1,576,202	1,576,202	-	-	-	-	
			-	-	-	-	55,377,052	55,377,052	-	-	-	-	
			15,112,372	24,657,012	-	20,704,178	1,884,102	(55,377,052)	6,980,612	1,468,880	38,893,723	-	40,362,603

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments

		31 December 2016 (Audited)									
										Fair value	
Note	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----											
Financial assets measured at fair value											
- Investments											
	3,437,225	12,860,852	-	-	-	-	16,298,077	-	16,298,077	-	16,298,077
	-	683,612	-	-	-	-	683,612	-	683,612	-	683,612
	-	636,322	-	-	-	-	636,322	-	636,322	-	636,322
	-	970,626	-	-	-	-	970,626	-	970,626	-	970,626
	40,291	660,104	-	-	-	-	700,395	700,395	-	-	700,395
- Associates											
	-	-	-	-	-	-	-	98,511	-	-	98,511
	-	-	-	-	590,517	-	590,517	709,139	-	-	709,139
Financial assets not measured at fair value											
	17.1	-	-	88,884	-	-	88,884	-	-	-	-
	17.1	-	-	1,670,921	-	-	1,670,921	-	-	-	-
	17.1	-	-	935,826	-	-	935,826	-	-	-	-
	17.1	-	226,000	-	-	-	226,000	-	-	-	-
	17.1	-	-	-	384,708	-	384,708	-	-	-	-
	17.1	-	-	-	340,925	-	340,925	-	-	-	-
	17.1	-	-	14,834,851	-	-	14,834,851	-	-	-	-
	17.1	-	-	-	389,058	-	389,058	-	-	-	-
		3,477,516	16,037,516	-	17,530,482	1,705,208	38,750,722	1,508,045	18,588,637	-	20,096,682
Financial liabilities not measured at fair value											
	17.1	-	-	-	-	25,150,898	25,150,898	-	-	-	-
	17.1	-	-	-	-	5,342,975	5,342,975	-	-	-	-
	17.1	-	-	-	-	1,671	1,671	-	-	-	-
	17.1	-	-	-	-	849,613	849,613	-	-	-	-
		-	-	-	-	31,345,157	31,345,157	-	-	-	-
		3,477,516	16,037,516	-	17,530,482	1,705,208	7,405,565	1,508,045	18,588,637	-	20,096,682

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

17.1 The Company has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore their carrying amounts are reasonable approximation of fair value.

18. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES (Un-Audited)

18.1 The segment analysis with respect to business activities are as follows:

	Corporate Finance	Trading & Sales	Commercial Banking	Total
-----Rupees in '000-----				
First quarter ended 31 March 2017 (Un-Audited)				
Total income	3,875	535,005	324,318	863,198
Total expense	27,131	389,554	260,137	676,822
Net income	<u>(23,256)</u>	<u>145,451</u>	<u>64,181</u>	<u>186,376</u>

**First quarter ended 31 March
2017 (Un-Audited)**

Segment assets	-	44,326,921	19,091,389	63,418,310
Segment liabilities	-	37,603,585	17,773,467	55,377,052
Segment non-performing loans	-	-	1,197,359	1,197,359
Investment provided for	-	1,464,644	-	1,464,644
Segment provisions required	-	1,005,065	1,051,760	2,056,825
Segment return on net assets %	-	8.65%	19.48%	-
Segment return on assets (ROA) %	-	1.31%	1.34%	-
Segment cost of funds %	-	5.07%	4.85%	-

**First quarter ended 31 March
2016 (Un-Audited)**

Total income	6,307	533,065	259,135	798,507
Total expense	22,324	264,672	108,585	395,581
Net income	<u>(16,017)</u>	<u>268,393</u>	<u>150,550</u>	<u>402,926</u>

**First quarter ended 31 March
2016 (Un-Audited)**

Segment assets	-	24,762,201	11,431,930	36,194,131
Segment liabilities	-	18,925,766	9,143,665	28,069,431
Segment non-performing loans	-	-	1,105,931	1,105,931
Investment provided for	-	1,689,545	-	1,689,545
Segment provisions required	-	1,241,386	833,043	2,074,429
Segment return on net assets %	-	18.39%	26.32%	-
Segment return on assets (ROA) %	-	4.34%	5.27%	-
Segment cost of funds %	-	4.83%	4.89%	-

(Un-Audited)

First quarter ended

31 March	31 March
2017	2016

19. CASH AND CASH EQUIVALENTS

-----Rupees in '000-----

Cash and balances with treasury banks	92,903	57,839
Balances with other banks	961,707	461,448
	<u>1,054,610</u>	<u>519,287</u>

20. RELATED PARTY TRANSACTIONS

20.1 The Company has related party relationship with its associates, subsidiary, employee benefit plans and its key management personnel (including their associates). The details of investments in subsidiary and associates are stated in note 7 to this unconsolidated condensed interim financial information.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation /terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Advances are given to employees as per the Company's Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

Related parties of the Company comprises of:

Subsidiary

-Pak Oman Asset Management Company Limited

Associates

-Japan Power Generation Limited
-Pak Oman Microfinance Bank Limited
-Pak Oman Advantage Islamic Income Fund
-Pak Oman Islamic Asset Allocation Fund
-Pak Oman Advantage Asset Allocation Fund
-Pak Oman Government Securities Fund

Key management Personnel

-All heads of departments
-Directors

Retirement benefit fund

-Defined benefit plan
-Defined contribution plan

Other related party

-Orient Power Company (Private) Limited

21. CREDIT RATING

The JCR VIS Credit Rating Company Limited has maintained the company's rating of AA+ (Double AA Plus) in the long term and A-1+ (A One Plus) for the short term.

22. GENERAL

Amounts in this financial information have been rounded off to the nearest rupee in thousand except stated otherwise.

23. DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorised on 27 April 2017 by the board of directors.

Chief Financial Officer

**Managing Director
and Chief Executive**

**Managing Director
and Chief Executive**

Chairman