

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2014**

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks		469,269	306,368
Balances with other banks	6	3,286,261	3,628,344
Lending to financial institutions	7	-	-
Investments	8	853,601	203,549
Advances	9	2,021,959	1,678,147
Operating fixed assets	10	109,104	97,983
Deferred tax assets		-	-
Other assets		280,843	290,032
		7,021,037	6,204,423
<b>LIABILITIES</b>			
Bills payable		4,632	4,460
Borrowings		-	-
Deposits and other accounts	11	6,119,760	5,367,895
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		3,023	3,280
Deferred Government grant		13	18
Other liabilities		107,946	86,248
		6,235,374	5,461,901
<b>NET ASSETS</b>		<b>785,663</b>	<b>742,522</b>
<b>REPRESENTED BY:</b>			
Share capital	12	654,981	654,981
Reserves		-	-
Unappropriated profit		116,649	75,347
		771,630	730,328
Surplus on revaluation of assets - net		14,033	12,194
		<b>785,663</b>	<b>742,522</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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Chairman

Managing Director

Director

Director

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2014**

	Note	June 30, 2014		June 30, 2013	
		For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
		(Rupees in '000)			
Mark-up / return / interest earned		171,309	328,298	143,621	273,341
Mark-up / return / interest expensed		89,904	175,711	79,527	156,069
Net mark-up / interest income		81,405	152,587	64,094	117,272
Provision against non-performing loans and advances	9.1	9,998	18,598	9,810	15,070
(Reversal) / Provision against lending to financial institution	7.1	(2,666)	(4,666)	(2,000)	(4,000)
Provision for diminution in value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		7,332	13,932	7,810	11,070
Net mark-up / interest income after provisions		74,073	138,655	56,284	106,202
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		5,538	10,124	3,967	6,675
Dividend income		2,165	2,398	804	1,116
Income from dealing in foreign currencies		-	-	-	-
Gain on sale of securities - net		10,594	10,898	-	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Other income		853	1,781	441	953
Total non-markup / interest income		19,150	25,201	5,212	8,744
		93,223	163,856	61,496	114,946
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		53,699	105,589	52,202	96,149
Other provisions / write offs		-	-	-	-
Other charges		-	-	-	-
Total non-markup / interest expenses		53,699	105,589	52,202	96,149
		39,524	58,267	9,294	18,797
Extraordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		39,524	58,267	9,294	18,797
Taxation - current		10,889	17,426	3,194	6,489
- prior years		-	-	-	-
- deferred		(231)	(461)	908	1,817
		10,658	16,965	4,102	8,306
<b>PROFIT AFTER TAXATION</b>		28,866	41,302	5,192	10,491
Basic/diluted Earnings Per Share -Rupees	14	0.44	0.63	0.09	0.16

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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Chairman

Managing Director

Director

Director

**THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2014**

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<b>For the quarter ended</b>	<b>For the half year ended</b>	<b>For the quarter ended</b>	<b>For the half year ended</b>
	----- (Rupees in '000) -----			
<b>Profit after taxation</b>	28,866	41,302	5,192	10,491
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>28,866</u>	<u>41,302</u>	<u>5,192</u>	<u>10,491</u>

Surplus arising on revaluation of "Available for sale securities" are presented under a separate head below equity as "Surplus on revaluation of assets" in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated 04 August, 2000.

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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\_\_\_\_\_  
Chairman

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Managing Director

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Director

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Director

**THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED JUNE 30, 2014**

	Share capital	Advance against issue of shares	Statutory reserve	Unappropriated profit	Total
Rupees in '000					
<b>Balance as at January 1, 2013- (Audited)</b>	525,938	50,152	-	107,810	683,900
<b>Comprehensive Income</b>					
Profit after tax for the half year ended June 30, 2013	-	-	-	10,491	10,491
Other comprehensive income	-	-	-	-	-
	-	-	-	10,491	10,491
<b>Transactions with owners recorded directly in equity</b>					
Issue of share capital	50,152	(50,152)	-	-	-
Issue of bonus @15%	78,891	-	-	(78,891)	-
<b>Balance as at June 30, 2013- (Un-audited)</b>	654,981	-	-	39,410	694,391
<b>Comprehensive Income</b>					
Profit after tax for the half year ended December 31, 2013	-	-	-	35,937	35,937
Other comprehensive income	-	-	-	-	-
<b>Balance as at December 31, 2013 - (Audited)</b>	654,981	-	-	75,347	730,328
<b>Comprehensive Income</b>					
Profit after tax for the half year ended June 30, 2014	-	-	-	41,302	41,302
Other Comprehensive Income	-	-	-	-	-
	-	-	-	41,302	41,302
<b>Balance as at June 30, 2014 - (Un-audited)</b>	654,981	-	-	116,649	771,630

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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\_\_\_\_\_  
Chairman

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Managing Director

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Director

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Director

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2014**

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	58,267	18,797
Less: Dividend income	2,398	1,116
	<u>55,869</u>	<u>17,681</u>
Adjustments for non-cash charges		
Depreciation	6,046	5,238
Provision against non-performing loans and advances	18,598	15,070
(Reversal) / provision against lending to financial institution	(4,666)	(4,000)
Amortization of deferred government grant	(5)	(4)
	<u>19,973</u>	<u>16,304</u>
	75,842	33,985
(Increase) / decrease in operating assets		
Advances	(362,410)	(257,375)
Lending to financial institutions	4,666	4,000
Other assets	8,272	(20,089)
	<u>(349,472)</u>	<u>(273,464)</u>
Increase / (decrease) in operating liabilities		
Bills payable	172	(3,762)
Deposits and other accounts	751,865	506,743
Other liabilities	15,123	5,063
	<u>767,160</u>	<u>508,044</u>
	493,530	268,565
Income tax paid	(9,934)	(13,757)
<b>Net cash flow from operating activities</b>	<u>483,596</u>	<u>254,808</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	90,000	(75,000)
Net investment in held-to-maturity securities	(738,009)	5,170
Dividend income	2,398	1,116
Investments in operating fixed assets	(17,167)	(10,245)
<b>Net cash flow from investing activities</b>	<u>(662,778)</u>	<u>(78,959)</u>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(179,182)</u>	<u>175,849</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	3,934,712	3,801,485
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>3,755,530</u>	<u>3,977,334</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

MBC

Chairman

Managing Director

Director

Director

**THE BANK OF AZAD JAMMU AND KASHMIR  
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2014**

**1. STATUS AND NATURE OF BUSINESS**

The Bank of Azad Jammu and Kashmir (the Bank) was established under The Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir holds directly and indirectly Bank's entire share capital at the period end.

The Bank has 55 branches (2013: 52 branches) in Azad Jammu and Kashmir.

**2. BASIS OF PRESENTATION**

The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". This condensed interim financial information do not include all of the disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2013.

**3. STATEMENT OF COMPLIANCE**

This condensed interim financial information for the half year ended June 30, 2014 is un-audited, and has been prepared in accordance with the requirements of The Bank of Azad Jammu and Kashmir Act, 2005 and its Bye-Laws 2007 and is in accordance with the approved accounting standards as applicable in Pakistan, for Banking Companies. Bye-Laws 2007 require that the Statement of Financial Position and profit and loss account of the Bank shall be drawn up in conformity with the Rules and Regulations of the State Bank of Pakistan and Section 34 of the Banking Companies Ordinance, 1962.

The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, advances and investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

**4. BASIS OF MEASUREMENT**

This condensed interim financial information has been prepared under the historical cost convention except for certain investments which have been marked to market and are carried at fair value.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation and significant estimates followed in the preparation of this condensed interim financial information are the same as those used in the preparation of the preceding annual financial statements of the Bank for the year ended December 31, 2013.

The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in financial statements of the Bank for the year ended December 31, 2013.

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	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
<b>6. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan (Azad Jammu and Kashmir)</b>			
On current account		50,000	50,000
On deposit account		3,236,261	3,578,344
		<u>3,286,261</u>	<u>3,628,344</u>

## 7. LENDING TO FINANCIAL INSTITUTIONS

### Particulars of lending to financial institution - gross

In local currency		-	4,666
In foreign currency		-	-
		<u>-</u>	<u>4,666</u>
Provision against lending to financial institution	7.1	-	(4,666)
		<u>-</u>	<u>-</u>

### 7.1 Movement of provision

Opening balance		4,666	12,666
Reversal of provision		(4,666)	(8,000)
Closing Balance		<u>-</u>	<u>4,666</u>

7.2 This represents placement of funds in certificate of Musharakah managed by Invest Capital Investment Bank Limited (ICIBL) at mark-up rate of 17% (2013: 17%) per annum having maturity on September 23, 2011. During December 2011, the Bank entered into an agreement to reschedule such placement. As per the agreement, the Bank has allowed ICIBL to repay Rs. 5 million at the signing of the agreement and the remaining principal amount in 30 equal monthly instalments beginning from Jan 31, 2012. Further, the Bank has also waived the mark-up on such investment for the period September 23, 2011 till the repayment of total outstanding principal i.e. June 30, 2014. This placement has been fully settled as per agreed repayment schedule.

	Held by the Bank	Given as collateral (Rupees in '000)	Total
<b>8. INVESTMENTS</b>			
As at June 30, 2014 - (Unaudited)	<u>853,601</u>	<u>-</u>	<u>853,601</u>
As at December 31, 2013 - (Audited)	<u>203,549</u>	<u>-</u>	<u>203,549</u>

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## 8.1 Investments by type:

	(Un-audited)			(Audited)		
	June 30, 2014			December 31, 2013		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
Available for sale securities	100,000	-	100,000	190,000	-	190,000
Held to maturity securities	787,949	-	787,949	49,940	-	49,940
Investment at cost	887,949	-	887,949	239,940	-	239,940
Less : Provision for diminution in value of investment	(49,940)	-	(49,940)	(49,940)	-	(49,940)
Investments (net of provision)	838,009	-	838,009	190,000	-	190,000
Surplus on revaluation of available for sale securities - net	15,592	-	15,592	13,549	-	13,549
Total investments at market value	853,601	-	853,601	203,549	-	203,549

## 9. ADVANCES

### Loans, cash credits, running finances, etc.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	(Rupees in '000)	
Running finance	461,479	470,135
Demand finance	179,211	151,009
Staff loans	58,562	42,985
Micro finance	83,168	72,669
Agriculture loan	122,234	59,626
Consumer finance		
-Car finance	30,868	32,555
-Finance against salary	817,557	611,736
-Personal loans	84,100	85,288
-Student loans	24,825	67,178
-Gold loans	225,347	131,760
Advances - gross	2,087,351	1,724,941

### Provision for non-performing loans and advances

Specific provision	(24,028)	(15,372)
General provision	(41,364)	(31,422)
	(65,392)	(46,794)
Advances - net of provision	2,021,959	1,678,147

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9.1 Particulars of provision against non-performing loans and advances

	(Un-audited)			(Audited)		
	June 30, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	15,372	31,422	46,794	3,645	16,975	20,620
Charge for the period	8,656	9,942	18,598	11,727	14,447	26,174
Closing balance	24,028	41,364	65,392	15,372	31,422	46,794

9.2 General provision is created at the rate of 1.5% of secured and 5% of unsecured consumer portfolio respectively. General provision also includes provision against Micro Finance portfolio at the rate of 1% of outstanding principal as required by the Prudential Regulations issued by State Bank of Pakistan.

9.3 Advances include Rs. 39.3 million (2013: 24 million) which have been placed under non-performing status as detailed below:

Category of classification	(Un-audited)			Provision required	Provision held
	June 30, 2014				
	Classified advances				
	Domestic	Overseas	Total		
	(Rupees in '000)				
Substandard	7,609	-	7,609	1,564	1,564
Doubtful	11,972	-	11,972	4,941	4,941
Loss	19,768	-	19,768	17,523	17,523
	39,349	-	39,349	24,028	24,028

Category of classification	(Audited)			Provision required	Provision held
	December 31, 2013				
	Classified advances				
	Domestic	Overseas	Total		
	(Rupees in '000)				
Substandard	6,141	-	6,141	1,439	1,439
Doubtful	7,377	-	7,377	3,629	3,629
Loss	10,549	-	10,549	10,304	10,304
	24,067	-	24,067	15,372	15,372

(Un-audited)  
June 30, 2014      June 30, 2013  
(Rupees in '000)

10. FIXED ASSETS

10.1 Additions / (transfer) to operating fixed assets - cost

Leashold improvements	755	3,062
Office equipment	945	2,807
Furniture and fittings	5,489	1,711
Computers	3,685	2,291
Vehicles	1,522	4,602
Carpets	20	100
Books	-	5
Capital work-in-progress addition / (transfer)	4,751	(4,333)
	17,167	10,245

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- 10.2 Bank is in a process of implementation of Core Banking Information System (Helios) which is currently installed on certain branches of the Bank. This software is financed by Kashmir Council (Government of AJK). The software has not been recognised in the books of the bank because the development and implementation of this software is currently in progress.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	(Rupees in '000)	
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	2,084,615	2,064,416
Saving deposits	2,672,241	2,407,862
Current accounts - non	1,359,677	892,707
Others	3,227	2,910
	<u>6,119,760</u>	<u>5,367,895</u>
<b>Financial institutions</b>		
Remunerative deposits	-	-
Non-remunerative deposits	-	-
	<u>6,119,760</u>	<u>5,367,895</u>

**12. SHARE CAPITAL**

**Authorised Capital**

	2014	2013		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Number of Shares			(Rupees in '000)	
	<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

**Issued, subscribed and paid up**

Number of shares					
		Ordinary shares of Rs. 10 each			
		<b>Fully paid in cash</b>			
20,000,000	20,000,000	Government of Azad Jammu and Kashmir	200,000	200,000	
5,500,000	5,500,000	Azad Kashmir Logging and Saw Mills Corporation	55,000	55,000	
		<b>Issued as bonus shares</b>			
27,437,500	27,437,500	Government of Azad Jammu and Kashmir	274,375	274,375	
7,545,363	7,545,363	Azad Kashmir Logging and Saw Mills Corporation	75,454	75,454	
		<b>Issued for consideration other than cash</b>			
5,015,200	5,015,200	Government of Azad Jammu and Kashmir	50,152	50,152	
<u>65,498,063</u>	<u>65,498,063</u>		<u>654,981</u>	<u>654,981</u>	

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	Note	(Un-audited) June 30, 2013 (Number of Shares)	(Audited) December 31, 2013
<b>Reconciliation of number of ordinary shares</b>			
Number of shares at the beginning of the period/year		65,498,063	52,593,800
Shares issued during the period/year	12.1	-	5,015,200
Bonus shares issued during the period/year		-	7,889,063
Number of shares at the end of the period/year		<u>65,498,063</u>	<u>65,498,063</u>

- 12.1 Government of the State of Azad Jammu and Kashmir had allotted land and building at Bank Square, Chattar, Muzaffarabad to the Bank through notification dated July 24, 2009 issued by Services and General Administration Department against contribution as share capital in kind of total value of Rs. 50.152 million. The Bank issued shares equivalent to the value of building after necessary approval to the Government of Azad Jammu and Kashmir.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
<b>(Rupees in '000)</b>		
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Guarantees in favour of		
- Government	-	-
- Others	9,953	9,953
	<u>9,953</u>	<u>9,953</u>
<b>13.2 Commitments to extend credit</b>	<u>12,065</u>	<u>148,315</u>
<b>13.3 Bills for collection</b>	<u>31,797</u>	<u>22,901</u>

Bills for collection represent bill drawn in favour of various financial institutions on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

	(Un-audited) June 30, 2014		(Un-audited) June 30, 2013	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
<b>(Rupees in '000)</b>				
<b>14. BASIC/ DILUTED EARNINGS PER SHARE</b>				
Profit after taxation	<u>28,866</u>	<u>41,302</u>	<u>5,192</u>	<u>10,491</u>
	<b>Number of shares In thousands</b>			
Weighted average number of Ordinary Shares	<u>65,498</u>	<u>65,498</u>	<u>60,483</u>	<u>63,826</u>
Basic/ diluted earnings per share	0.44	0.63	0.09	0.16

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## 15. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The Government of Azad Jammu and Kashmir holds directly and indirectly Bank's entire share capital at the year end, therefore all of its departments are related parties of the Bank. Also the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence. The transactions are carried among related parties on mutually agreed terms.

Details of balances due to / from related parties at the period end and transactions with them during the period are as follows:

	(Un-audited)				(Audited)			
	As at June 30, 2014				As at December 31, 2013			
	Key management personnel	Government of Azad Jammu and Kashmir and its related departments	Employee Funds		Key management personnel	Government of Azad Jammu and Kashmir and its related departments	Employee Funds	
<b>Balances outstanding at the period / year end</b>								
- Advances	15,366	-	392,059	-	22,429	-	417,835	-
- Deposits	149	-	2,560,483	2,444	229	-	2,373,153	8,985
- Mark-up / return / interest accrued on advances	-	-	38,232	-	-	-	4,210	-
- Mark-up / return / interest payable on deposits	4	-	33,574	185	1	-	19,504	164
- Deferred Government grant	-	-	13	-	-	-	18	-
<b>Transactions during the period</b>								
-Mark-up / interest expensed	-	-	37,684	-	9	-	174,649	-
- Mark-up/ interest earned	1,557	-	19,876	92	2,259	-	51,182	30
- Contributions to defined contribution plan	-	-	-	2,983	-	-	-	6,367
- Fee paid	-	132	-	-	-	644	-	-
- Bonus shares issued during the period / year	-	-	-	-	-	-	78,891	-

## 16. GENERAL

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

## 17. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors on \_\_\_\_\_.

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Chairman

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Managing Director

\_\_\_\_\_  
Director

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Director