



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of financial position of the Bank of Azad Jammu and Kashmir (the Bank) as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The financial statements of the Bank for the half year ended June 30, 2014 and for the year ended December 31, 2014 were reviewed and audited by M. Yousuf Adil Saleem and Co Chartered Accountants, who expressed an unqualified conclusion and opinion thereon dated September 25, 2014 and June 10, 2015 respectively.

Chartered Accountants
Islamabad:

Name of the engagement partner: S. Haider Abbas


**THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2015**

	Note	(Un-audited) June 30, 2015 (Rupees in '000)	(Audited) December 31, 2014
ASSETS			
Cash and balances with treasury banks		861,210	300,844
Balances with other banks		3,096,197	3,368,668
Lendings to financial institutions		-	-
Investments	6	1,257,619	1,222,645
Advances	7	2,510,018	2,256,907
Operating fixed assets		121,384	111,354
Deferred tax assets		-	-
Other assets		353,142	324,634
		8,199,570	7,585,052
LIABILITIES			
Bills payable		8,820	5,551
Borrowings from financial institutions		-	-
Deposits and other accounts		7,207,632	6,642,949
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		616	488
Deferred Government grant		4	9
Other liabilities		102,489	110,822
		7,319,561	6,759,819
NET ASSETS		880,009	825,233
REPRESENTED BY:			
Share capital		654,981	654,981
Reserves		-	-
Unappropriated profit / Unremitted profit		204,259	155,350
		859,240	810,331
Surplus on revaluation of assets - net		20,769	14,902
		880,009	825,233

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 11 form an integral part of this condensed interim financial information.


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, 2015**

	June 30, 2015		June 30, 2014	
	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	198,057	402,995	171,309	328,298
Mark-up / return / interest expensed	90,144	189,095	89,904	175,711
Net mark-up / interest income	107,913	213,900	81,405	152,587
Provision against non-performing loans and advances (Reversal)/Provision against lending to financial institution	5,814	21,018	9,998	18,598
Provision for diminution in value of investments	-	-	(2,666)	(4,666)
Bad debts written off directly	-	-	-	-
	5,814	21,018	7,332	13,932
Net mark-up / interest income after provisions	102,099	192,882	74,073	138,655
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	5,774	11,042	5,538	10,124
Dividend income	(567)	1,390	2,165	2,398
Income from trading in government securities	-	-	-	-
Income from dealing in foreign currencies	-	-	-	-
Gain on sale of securities - net	-	-	10,594	10,898
Other income	919	1,814	853	1,781
Total non-markup / interest income	6,126	14,246	19,150	25,201
	108,225	207,128	93,223	163,856
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	66,855	130,362	53,699	105,589
Other provisions / write offs	-	-	-	-
Other charges	-	-	-	-
Total non-markup / interest expenses	66,855	130,362	53,699	105,589
	41,370	76,766	39,524	58,267
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	41,370	76,766	39,524	58,267
Taxation - Current	14,536	28,381	10,889	17,426
- Prior years	-	-	-	-
- Deferred	-	(524)	(231)	(461)
	14,536	27,857	10,658	16,965
PROFIT AFTER TAXATION	26,834	48,909	28,866	41,302
Earning Per Share - Rupees	0.41	0.75	0.44	0.63

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.


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, 2015**


	June 30, 2015	June 30, 2014
	For the quarter ended	For the quarter ended
	half year ended	half year ended
	(Rupees in '000)	
Profit after taxation	26,834	48,909
Other comprehensive income		28,866
Components of comprehensive income not reflected in equity		41,302
Surplus on revaluation of available for sale securities	1,013	15,592
Deferred tax	(101)	(1,559)
	912	14,033
Total comprehensive income for the period	27,746	49,055

Surplus / (deficit) arising on revaluation of "Available for sale securities" are presented under a separate head below equity as "Surplus / (deficit) 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 11 form an integral part of this condensed interim financial information.


Chairman


Managing Director

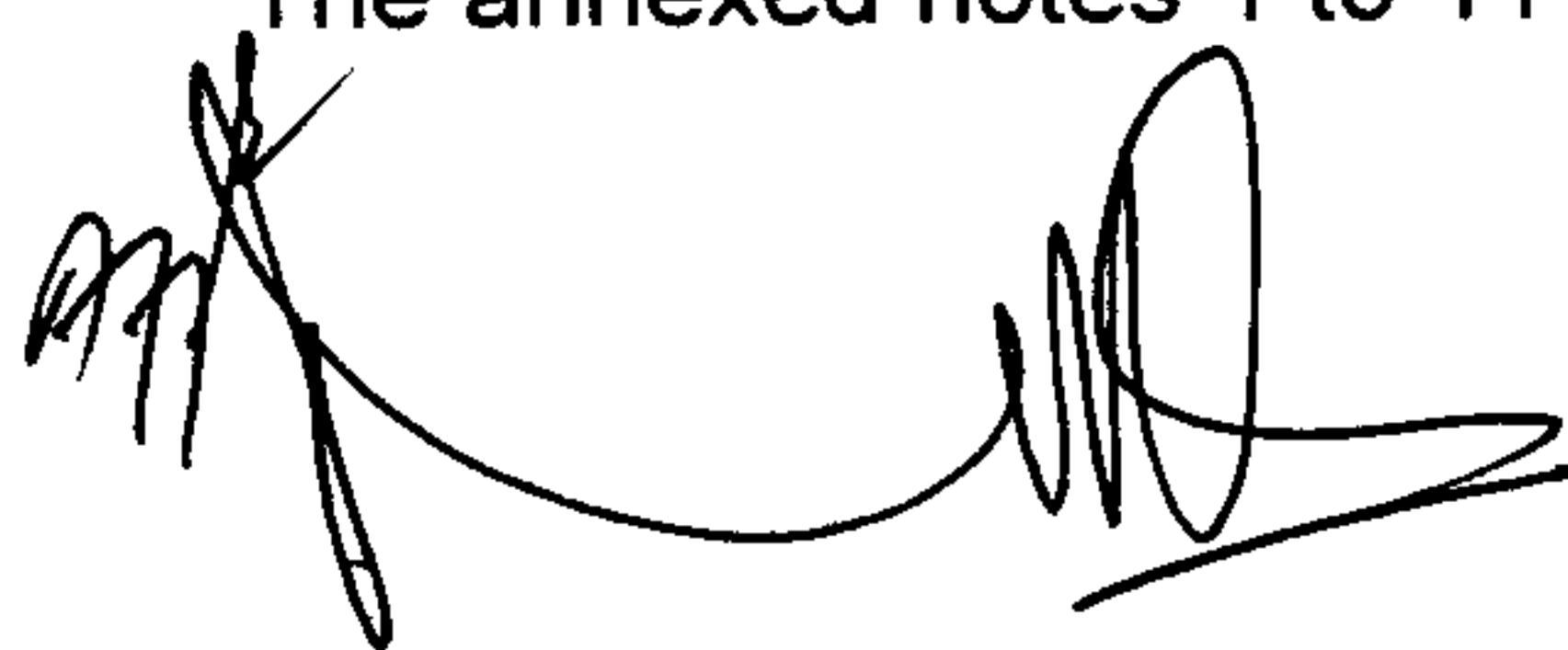

Director


Director

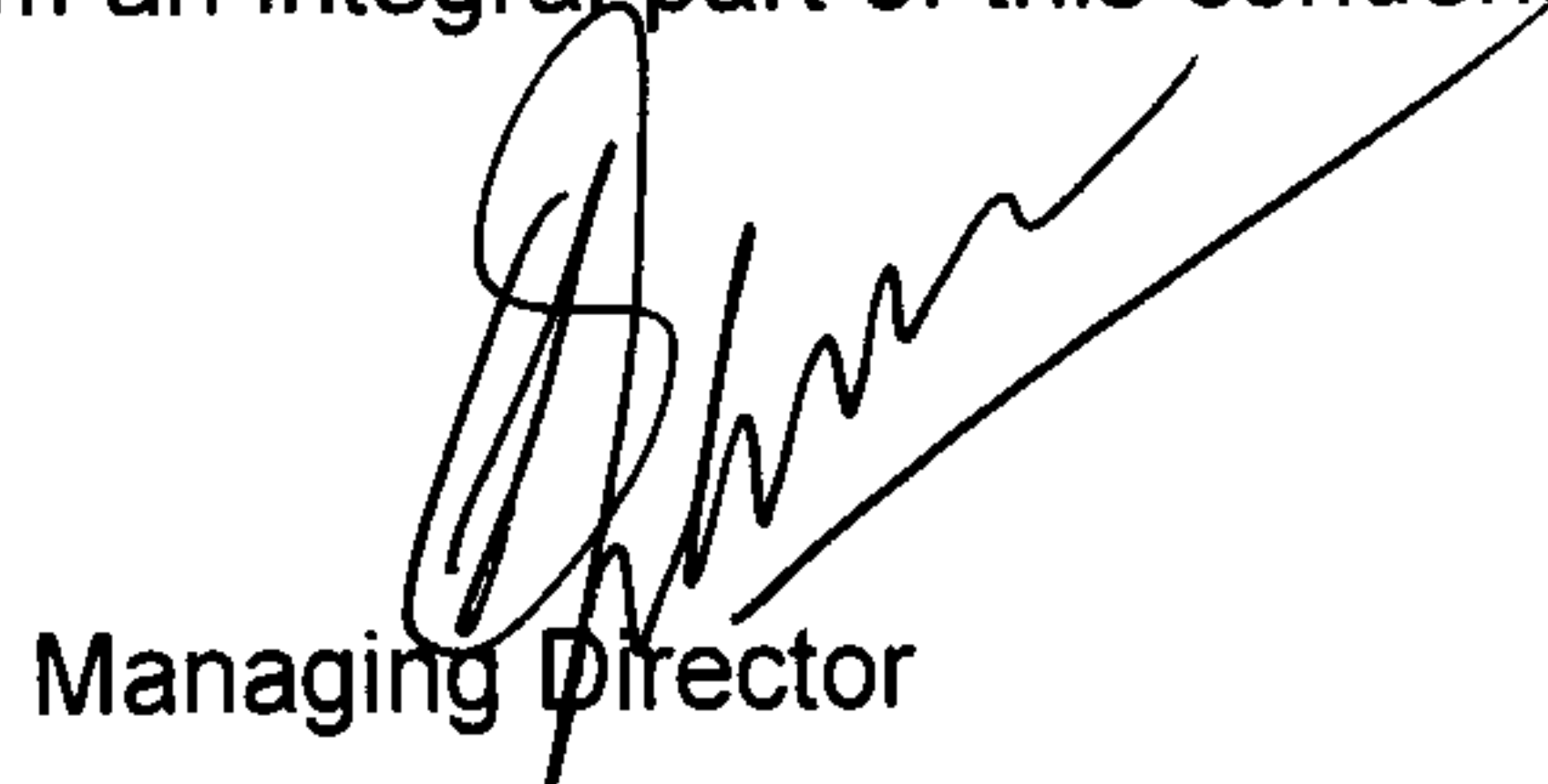
**THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015**

	June 30, 2015 (Rupees in '000)	June 30, 2014 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	76,766	58,267
Less: Dividend income	<u>1,390</u>	<u>2,398</u>
	75,376	55,869
Adjustments for non-cash charges:		
Depreciation	8,714	6,046
Provision against non-performing loans and advances	21,018	18,598
Provision / (Reversal) against lending to financial institutions	-	(4,666)
Gain on sale of operating fixed asset	(96)	-
Amortization of deferred government grant	(5)	(5)
	<u>29,631</u>	<u>19,973</u>
	105,007	75,842
(Increase) / decrease in operating assets		
Lending to financial institution	-	4,666
Advances	(274,129)	(362,410)
Other assets (excluding advance taxation)	(29,482)	8,272
	<u>(303,611)</u>	<u>(349,472)</u>
Increase / (decrease) in operating liabilities		
Bills payable	3,269	172
Deposits and other accounts	564,683	751,865
Other liabilities (excluding current taxation)	(8,333)	15,123
	<u>559,619</u>	<u>767,160</u>
	361,015	493,530
Income tax paid	(27,407)	(9,934)
Net cash flow from operating activities	<u>333,608</u>	<u>483,596</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in available for sale securities - net	(25,000)	90,000
Investment in held-to-maturity securities - net	(3,455)	(738,009)
Operating fixed assets	(18,744)	(17,167)
Sale proceeds of operating fixed assets	96	-
Dividend income	1,390	2,398
Net cash flow from investing activities	<u>(45,713)</u>	<u>(665,176)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(decrease) in cash and cash equivalents	287,895	(181,580)
Cash and cash equivalents at beginning of the year	3,669,512	3,934,712
Cash and cash equivalents at end of the year	<u><u>3,957,407</u></u>	<u><u>3,753,132</u></u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Chairman



Managing Director



Director




Director

**THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2015**


	Share capital	Statutory reserve	Unappropriated profit	Total
	Rupees in '000			
Balance as at January 1, 2014- (Audited)	654,981	-	75,347	730,328
<i>Movement thereafter to the corresponding period end in the prior year</i>				
Net profit for the period	-	-	41,302	41,302
Other comprehensive income	-	-	41,302	41,302
Balance as at June 30, 2014- (Un-audited)	654,981	-	116,649	771,630
<i>Movement thereafter to the corresponding period end in the prior year to the prior year end</i>				
Net profit for the period	-	-	38,701	38,701
Other comprehensive income	-	-	38,701	38,701
Balance as at December 31, 2014- (Audited)	654,981	-	155,350	810,331
<i>Movement thereafter to the current period</i>				
Net profit for the period	-	-	48,909	48,909
Other comprehensive income	-	-	48,909	48,909
Balance as at June 30, 2015- (Unaudited)	<u>654,981</u>	<u>-</u>	<u>204,259</u>	<u>859,240</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.


Chairman


Managing Director


Director


Director

**THE BANK OF AZAD JAMMU AND KASHMIR
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015**

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 60 branches (2014: 59 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, 2014.

3. STATEMENT OF COMPLIANCE

This condensed interim financial information for the half year ended June 30, 2015 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 Instrument: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS 7), 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 valued/classified and valued in accordance with the requirements prescribed by SBP through various circulars.

Amendments and interpretations to approved accounting standards effective from January 1, 2015 are not expected to have material impact on this condensed interim financial information.

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 carried at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and information 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, 2014.

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2014.



		Held by the Bank	Given as collateral (Rupees in '000)	Total
6.	INVESTMENTS			
	As at June 30, 2015	1,257,619	-	1,257,619
	As at December 31, 2014	1,222,645	-	1,222,645
As at June 30, 2015				
6.1	Investments by type	Held by the Bank	Given as collateral	Total
(Rupees in '000)				
	Available-for-sale securities	195,000	-	195,000
	Held-to-maturity securities	1,089,482	-	1,089,482
		1,284,482	-	1,284,482
	Less: Provision for diminution in value of investments	(49,940)	-	(49,940)
	Investments (net of provisions)	1,234,542	-	1,234,542
	Surplus on revaluation of available for sale securities	23,077	-	23,077
		1,257,619	-	1,257,619
		June 30, 2015	December 31, 2014	
		(Rupees in '000)		
7.	ADVANCES			
	Loans, cash credits, running finances, etc.			
	Running finance		486,851	495,142
	Demand finance		158,364	170,642
	Staff loans		75,439	71,032
	Micro finance		107,891	96,425
	Agriculture loan		355,049	207,493
	Consumer finance			
	-Car finance		27,012	29,400
	-Finance against salary		1,111,581	961,376
	-Personal loans		81,495	74,958
	-Student loans		1,500	22,870
	-Motorcycle loans		1,420	82
	-Gold loans		228,739	231,792
	Advances - gross		2,635,341	2,361,212
	Provision for non-performing loans and advances			
	Specific provision		(66,065)	(57,245)
	General provision		(59,258)	(47,060)
			(125,323)	(104,305)
	Advances - net of provision		2,510,018	2,256,907

7.1 Particulars of provision against non-performing loans and advances

	June 30, 2015		December 31, 2014			
	Specific	General (Rupees in '000)	Total	Specific	General (Rupees in '000)	Total
Opening balance	57,245	47,060	104,305	15,372	31,422	46,794
Charge for the period	8,820	12,198	21,018	41,873	15,638	57,511
Closing balance	<u>66,065</u>	<u>59,258</u>	<u>125,323</u>	<u>57,245</u>	<u>47,060</u>	<u>104,305</u>

7.2 Advances include Rs. 111 million (2014:Rs 123 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2015		Provision Required	Provision held
	Domestic	Overseas		
Substandard	23,088	-	23,088	3,906
Doubtful	23,239	-	23,239	9,052
Loss	64,941	-	64,941	53,107
	<u>111,268</u>	<u>-</u>	<u>111,268</u>	<u>66,065</u>

7.3 Forced Sale Value (FSV) benefit of Rs. 4.678 million is availed by the Bank, which has resulted in decreased charge for specific provision for the period by the same amount. Had the FSV benefit not reduced, before and after tax profit for the period would have been lower by Rs. 4.678 million and Rs. 3.04 million respectively. The additional impact on profitability arising from availing the benefit of FSV is not available for payment of cash or stock dividend / bonus to employees.

8. CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes

- Guarantees in favour of
Government
Others

	-	-
	-	1,300
	-	<u>1,300</u>

8.2 Commitments to extend credit

	21,663	167,268
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8.3 Bills for collection

	18,988	35,542
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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 credit risk in respect of these bills.



June 30, December 31,
2015 2014
(Rupees in '000)

9. 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.

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


	As at June 30, 2015					As at December 31, 2014				
	Key management personnel	Directors	Government of Azad Jammu and Kashmir and its related departments	Employee Funds	Key management personnel	Directors	Government of Azad Jammu and Kashmir and its related departments	Employee Funds	Employee Funds	
Balances outstanding at the period / year end										
- Advances at the period / year end	22,035	-	335,631	-	23,434	-	364,668	-	-	
- Deposits at the period / year end	135	-	3,120,800	7,826	243	-	3,143,140	2,858	-	
- Mark-up / return / interest accrued	-	-	3,272	-	-	-	3,673	-	-	
- Mark-up / return / interest payable	2	-	28,406	250	3	-	33,940	101	-	
- Deferred Government Grant	-	-	-	-	-	-	9	-	-	
Transactions during the period										
	Half year ended June 30, 2015					Half year ended June 30, 2014				
- Net mark-up / interest expensed	9	-	102,961	-	-	-	37,684	-	-	
- Mark-up/ interest earned	686	-	20,464	206	1,557	-	19,876	92	-	
- Contributions to defined contribution plan	-	-	-	1,874	-	-	-	2,983	-	
- Contributions to defined gratuity fund	-	-	-	3,598	-	-	-	1,613	-	
- Fee paid	-	166	-	-	-	132	-	-	-	

10. GENERAL

Corresponding period balance of accrued markup as at December 31, 2014 amounting to Rs 50,453 thousand has been reclassified from other assets to held to maturity investment to conform to current period presentation .

11. DATE OF AUTHORISATION

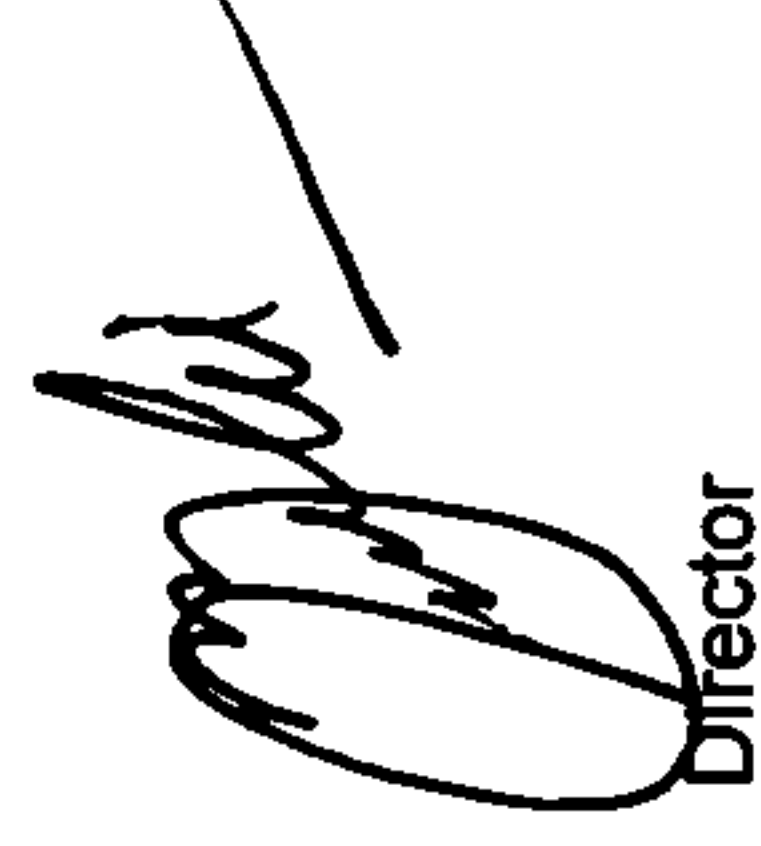
This condensed interim financial information was authorized for issue by the Board of Directors on _____.



Chairman



Managing Director



Director



Director