

**DRAFT INDEPENDENT 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 Bank of Azad Jammu and Kashmir (the Bank) as at June 30, 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this 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. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2018 have not been reviewed, as we are required to review only cumulative figures for the half year ended June 30, 2018.

Scope of Review

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

Conclusion

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

Signature

**Chartered Accountants
Engagement Partner : Shahzad Ali**

Date:
Islamabad

**THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

		(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		1,964,793	1,755,794
Balances with other banks		7,283,214	5,748,385
Lendings to financial institutions		-	-
Investments	8	342,525	339,791
Advances	9	2,170,640	2,407,853
Operating fixed assets	10	132,196	117,060
Deferred tax asset	11	18,324	22,845
Other assets		588,830	448,931
		12,500,522	10,840,659
LIABILITIES			
Bills payable		13,830	31,808
Borrowings from financial institutions		-	-
Deposits and other accounts	12	11,210,104	9,547,215
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		178,383	198,402
		11,402,317	9,777,425
NET ASSETS		1,098,205	1,063,234
REPRESENTED BY:			
Share capital	13	933,811	848,919
Reserves		-	-
Unappropriated profit		172,013	223,711
		1,105,824	1,072,630
Deficit on revaluation of assets - net of tax		(7,619)	(9,396)
		1,098,205	1,063,234
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Chief Financial Officer


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, 2018

	Note	June 30, 2018		June 30, 2017	
		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	15	232,464	439,502	222,596	426,245
Mark-up / return / interest expensed		98,601	182,854	83,648	162,376
Net mark-up / interest income		133,863	256,648	138,948	263,869
Provision against non-performing loans and advances		4,688	10,182	(37,533)	(61,519)
Provision for diminution in value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		4,688	10,182	(37,533)	(61,519)
Net mark-up / interest income after provisions		129,175	246,466	176,481	325,388
Non mark-up / interest income					
Fee, commission and brokerage income		4,373	8,285	4,562	8,249
Dividend income		-	-	-	-
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		-	-	-	-
Gain on sale of securities	16	579	579	26,740	26,740
Other income		507	1,972	636	1,240
Total non mark-up / interest income		5,459	10,836	31,938	36,229
		134,634	257,302	208,419	361,617
Non mark-up / interest expense					
Administrative expenses		101,730	196,455	94,730	170,026
Other provisions / write offs		-	-	-	-
Other charges		-	-	-	-
Total non-markup / interest expenses		101,730	196,455	94,730	170,026
		32,904	60,847	113,689	191,591
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		32,904	60,847	113,689	191,591
Taxation - Current		13,276	24,089	39,279	66,545
- Prior years		-	-	5,702	5,702
- Deferred		4,139	3,564	3,994	3,994
		17,415	27,653	48,975	76,241
Profit after taxation		15,489	33,194	64,714	115,350
-----Rupees-----					
Earning per share - basic and diluted	18	0.17	0.36	0.69	1.24

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Chief Financial Officer


Chairman


Manager Director


Director

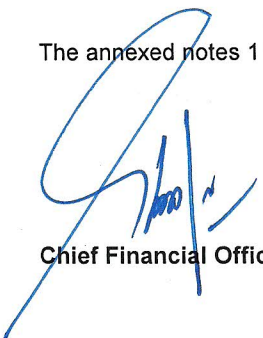


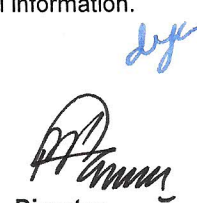
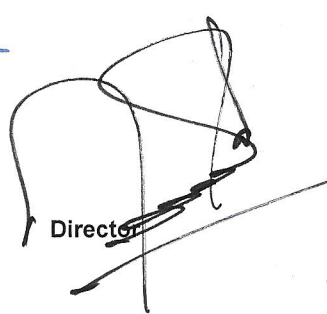

Director

THE BANK OF AZAD JAMMU AND KASHMIR
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR ENDED JUNE 30, 2018

	June 30, 2018		June 30, 2017	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	(Rupees in '000)			
Profit after taxation	15,489	33,194	64,714	115,350
Other comprehensive income				
Components of comprehensive income not reflected in equity				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Surplus / (deficit) on revaluation of available for sale securities	2,734	2,734	(32,324)	(28,295)
Deferred (expense) /tax credit	(957)	(957)	11,313	9,903
	1,777	1,777	(21,011)	(18,392)
Total comprehensive income for the period	17,266	34,971	43,703	96,958

Surplus / (deficit) arising on revaluation of "Available for sale securities - net of tax" has been shown in the Statement of Comprehensive Income in order to comply with the revised " Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan.


The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


 Chief Financial Officer
  Chairman
  Managing Director
  Director
  Director

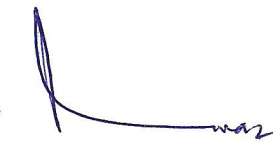
THE BANK OF AZAD JAMMU AND KASHMIR
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE HALF YEAR ENDED JUNE 30, 2018

	Share capital	Unappropriated profit	Total
	Rupees in '000		
Balance as at January 01, 2017	785,977	145,225	931,202
Transactions with owners recorded directly in equity			
Issue of share capital	62,942		62,942
Cash dividend	-	(78,598)	(78,598)
Total comprehensive income for the half year ended June 30, 2017			
Net profit for the period	-	115,350	115,350
Other comprehensive income	-	-	-
	-	115,350	115,350
Balance as at June 30, 2017	848,919	181,977	1,030,896
Total comprehensive income for the half year ended December 31, 2017			
Net profit for the period	-	41,734	41,734
Other comprehensive income	-	-	-
	-	41,734	41,734
Balance as at December 31, 2017	848,919	223,711	1,072,630
Transactions with owners recorded directly in equity			
Issuance of bonus shares	84,892	(84,892)	-
Total comprehensive income for the half year ended June 30, 2018			
Net profit for the period	-	33,194	33,194
Other comprehensive income	-	-	-
	-	33,194	33,194
Balance as at June 30, 2018	<u>933,811</u>	<u>172,013</u>	<u>1,105,824</u>

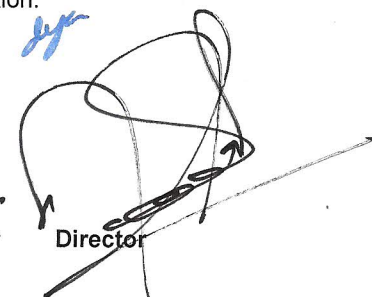
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 Chief Financial Officer


 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, 2018**

	June 30, 2018 (Rupees in '000)	June 30, 2017
Cash flows from operating activities		
Profit before taxation	60,847	191,591
Less: gain on sale of securities	579	-
	<u>60,268</u>	<u>191,591</u>
Adjustments:		
Depreciation	11,119	10,751
Provision against non-performing loans and advances	10,182	(61,519)
Gain on sale of operating fixed asset	(2)	-
	<u>21,299</u>	<u>(50,768)</u>
	81,567	140,823
(Increase) / decrease in operating assets		
Advances	227,031	207,891
Other assets (excluding advance taxation)	(103,167)	(207,023)
	123,864	868
Increase / (decrease) in operating liabilities		
Bills payable	(17,978)	40,477
Other liabilities (excluding current taxation)	4,155	84,630
Deposits and other accounts	1,662,889	1,213,573
	<u>1,649,066</u>	<u>1,338,680</u>
Cash generated from operations	1,854,497	1,480,371
Income tax paid	(84,994)	(60,191)
Net cash flow from operating activities	1,769,503	1,420,180
Cash flow from investing activities		
Sale of securities	579	-
Investment in operating fixed assets	(26,284)	(13,135)
Sale proceeds of operating fixed assets	30	-
Net cash used in investing activities	(25,675)	(13,135)
Cash flow from financing activities		
Dividend paid during the period	-	(15,655)
Net cash used in financing activities	-	(15,655)
Increase in cash and cash equivalents	1,743,828	1,391,390
Cash and cash equivalents at beginning of the period	7,504,179	5,142,867
Cash and cash equivalents at end of the period	<u>9,248,007</u>	<u>6,534,257</u>

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Chief Financial Officer


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, 2018

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. 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 68 branches (December 2017: 68 branches; June 2017: 65 branches) in Azad Jammu and Kashmir.

2. 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.

3. STATEMENT OF COMPLIANCE

This condensed interim financial information for the half year ended June 30, 2018 is un-audited, and has been prepared in accordance with the requirements of the Act, its Bye-Laws and approved accounting and reporting standards as applicable in Pakistan for interim financial reporting for Banking Companies.

The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB); and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP).

Wherever the requirements of the Banking Companies Ordinance, 1962, or the directives issued by the SBP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance, 1962 and the directives prevail.

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to Banking Companies in Pakistan. 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. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 date February 17, 2006 which prevail over the requirements specified in IFRS 8.

4. 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, 2017.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the Bank, for the year ended December 31, 2017.

Amendments and interpretations to approved accounting standards effective from January 01, 2018 are not expected to have material impact on this condensed interim financial information. The bank is assessing the impact of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' applicable from July 01, 2018 and IFRS 16 'leases' applicable from January 1, 2019.

6. ACCOUNTING ESTIMATES

The basis for accounting estimates 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 year ended December 31, 2017.

