

## **DRAFT INDEPENDENT AUDITORS' REVIEW REPORT**

**To the members of The Bank of Azad Jammu and Kashmir**

**Report on review of condensed Interim Financial Statements**

### **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, 2023 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### **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 statements 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 condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### **Other Matter**

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2023 and June 30, 2022 have not been reviewed by us, as we are required to review only cumulative figures for the half year ended June 30, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Syed Asmatullah.



### **Chartered Accountants**

Place: Islamabad

Date:

UDIN:

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

		(Un-audited)	(Audited)
	Note	June 30, 2023	December 31, 2022
-----Rupees in '000-----			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	6,850,576	6,271,417
Balances with other banks	9	16,667,624	16,088,667
Lendings to financial institutions		-	-
Investments	10	148,470	163,197
Advances	11	3,569,950	3,290,230
Fixed assets	12	379,594	365,478
Intangible assets		-	-
Deferred tax assets	13	65,856	49,601
Other assets	14	3,076,378	2,232,866
		<b>30,758,448</b>	<b>28,461,456</b>
<b>LIABILITIES</b>			
Bills payable	15	41,882	82,751
Borrowings		-	-
Deposits and other accounts	16	23,162,097	21,004,229
Liabilities against assets subject to finance lease	17	167,496	161,246
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,309,034	1,344,311
		<b>24,680,509</b>	<b>22,592,537</b>
<b>NET ASSETS</b>		<b>6,077,939</b>	<b>5,868,919</b>
<b>REPRESENTED BY</b>			
Share capital		5,142,903	5,142,903
Reserves		403,454	360,650
Deficit on revaluation of assets	19	(28,830)	(23,828)
Unappropriated profit		560,412	389,194
		<b>6,077,939</b>	<b>5,868,919</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The annexed notes 1 to 34 form an integral part of these condensed interim financial statements.

President/CEO

Chief Financial Officer

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, 2023**

	Note	For the quarter ended June 30, 2023	For the quarter ended June 30, 2022	For the Half Year ended June 30, 2023	For the Half Year ended June 30, 2022
-----Rupees in '000 -----					
Mark-up / return / interest earned	21	1,109,925	744,185	2,092,355	1,340,256
Mark-up / return / interest expensed	22	<u>616,280</u>	<u>294,042</u>	<u>1,168,715</u>	<u>549,603</u>
Net mark-up/interest income		493,645	450,143	923,640	790,653
<b>NON MARK-UP/INTEREST INCOME</b>					
Fee and commission income	23	8,474	7,614	15,601	12,646
Dividend income		11,673	8,621	12,369	9,096
Other income	24	6,122	4,389	7,420	6,112
Total non-markup/interest Income		<u>26,269</u>	<u>20,624</u>	<u>35,390</u>	<u>27,854</u>
Total Income		<u>519,914</u>	<u>470,767</u>	<u>959,030</u>	<u>818,507</u>
<b>NON MARK-UP/INTEREST EXPENSES</b>					
Operating expenses	25	278,611	260,688	507,366	409,845
Workers welfare fund		-	-	-	-
Other charges		-	-	-	-
Total non-markup/interest expenses		<u>278,611</u>	<u>260,688</u>	<u>507,366</u>	<u>409,845</u>
Profit before provisions		<u>241,303</u>	<u>210,079</u>	<u>451,664</u>	<u>408,662</u>
Provisions and write offs - net	26	(9,763)	10,477	8,375	24,950
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		<u>251,066</u>	<u>199,602</u>	<u>443,289</u>	<u>383,712</u>
Taxation	27	<u>152,269</u>	<u>113,291</u>	<u>229,267</u>	<u>184,520</u>
<b>PROFIT AFTER TAXATION</b>		<u><u>98,797</u></u>	<u><u>86,311</u></u>	<u><u>214,022</u></u>	<u><u>199,192</u></u>
-----Rupees-----					
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	28	<u><u>0.19</u></u>	<u><u>0.17</u></u>	<u><u>0.42</u></u>	<u><u>0.39</u></u>

The annexed notes 1 to 34 form an integral part of these condensed interim financial statements.

President/CEO

Chief Financial Officer

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, 2023**

	For the quarter ended June 30, 2023	For the quarter ended June 30, 2022	For the Half Year ended June 30, 2023	For the Half Year ended June 30, 2022
-----Rupees in '000-----				
Profit after taxation for the period	98,797	86,311	214,022	199,192
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Movement in surplus / (deficit) on revaluation of investments	(7,285)	(8,886)	(14,727)	(8,306)
Related deferred tax	6,525	4,314	9,725	5,270
	(760)	(4,572)	(5,002)	(3,036)
<b>Total comprehensive income</b>	<b>98,037</b>	<b>81,739</b>	<b>209,020</b>	<b>196,156</b>

The annexed notes 1 to 34 form an integral part of these condensed interim financial statements.

President/CEO

Chief Financial Officer

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, 2023**

	Share capital	Surplus / (deficit) on revaluation of assets	Unappropriated profit	Statutory Reserve	Total
	Rupees in '000				
<b>Balance as at January 01, 2022</b>	5,142,903	(13,797)	22,743	269,037	5,420,886
Profit after taxation for the half year ended June 30, 2022	-	-	199,192	-	199,192
Other comprehensive income - net of tax	-	(3,036)	-	-	(3,036)
Transfer to statutory reserve	-	-	(39,838)	39,838	-
<b>Transactions with owners, recorded directly in equity</b>					
<b>Balance as at July 01, 2022</b>	<b>5,142,903</b>	<b>(16,833)</b>	<b>182,097</b>	<b>308,875</b>	<b>5,617,042</b>
Profit after taxation for the half year ended December 31, 2022	-	-	258,872	-	258,872
Other comprehensive income - net of tax	-	(6,995)	-	-	(6,995)
Transfer to statutory reserve	-	-	(51,775)	51,775	-
<b>Balance as at December 31, 2022</b>	<b>5,142,903</b>	<b>(23,828)</b>	<b>389,194</b>	<b>360,650</b>	<b>5,868,919</b>
Profit after taxation for the current period	-	-	214,022	-	214,022
Other comprehensive income - net of tax	-	(5,002)	-	-	(5,002)
Transfer to statutory reserve	-	-	(42,804)	42,804	-
<b>Balance as at June 30, 2023</b>	<b>5,142,903</b>	<b>(28,830)</b>	<b>560,412</b>	<b>403,454</b>	<b>6,077,939</b>

The annexed notes 1 to 34 form an integral part of these condensed interim financial statements.

President/CEO

Chief Financial Officer

Director

Director

Director

**THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2023**

	For the Half Year ended June 30, 2023	For the Half Year ended June 30, 2022
	-----Rupees in '000-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	443,289	383,712
Less: Dividend income	(12,369)	(9,096)
	<u>430,920</u>	<u>374,616</u>
Adjustments:		
Depreciation	20,183	13,324
Depreciation on right-of-use assets	21,041	15,974
Interest expense on lease liability	12,127	12,647
Provisions and write-offs	8,375	24,950
Provision for gratuity	6,169	-
Provision for leave encashment	10,618	-
Provision for bonus	21,879	-
	<u>100,392</u>	<u>66,895</u>
	<u>531,312</u>	<u>441,511</u>
(Increase)/ decrease in operating assets		
Advances	(288,095)	(283,931)
Others assets (excluding advance taxation)	(843,512)	(290,098)
	<u>(1,131,607)</u>	<u>(574,029)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	(40,869)	(120,780)
Deposits	2,157,868	3,492,460
Other liabilities (excluding current taxation)	(20,793)	157,318
	<u>2,096,206</u>	<u>3,528,998</u>
Payment against Interest expense on lease liability	(12,127)	(12,647)
Income tax paid	(288,947)	(97,521)
Net cash flow generated from operating activities	<u>1,194,837</u>	<u>3,286,312</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividends received	12,369	9,096
Net (investments in) / proceeds from placement with banks	3,165,117	(5,825,320)
Investments in operating fixed assets	(30,505)	(34,499)
Proceeds from sale of fixed assets	1,862	-
Net cash flow generating from / (used in) investing activities	<u>3,148,843</u>	<u>(5,850,723)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of lease liability against right-of-use assets	(20,447)	(31,524)
Net cash flow used in financing activities	<u>(20,447)</u>	<u>(31,524)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<u>4,323,233</u>	<u>(2,595,935)</u>
Cash and cash equivalents at beginning of the period	5,934,908	11,200,353
Cash and cash equivalents at end of the period	<u>7</u> <u>10,258,141</u>	<u>8,604,418</u>

The annexed notes 1 to 34 form an integral part of these condensed interim financial statements.

President/CEO

Chief Financial Officer

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, 2023**

**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 and Behbood Fund & Group Insurance - Government autonomous body own 100 percent of ordinary shares of the Bank as on June 30, 2022 in proportion of 97.59% and 2.41% ( 2021: 97.59% and 2.41%) respectively.

The Bank has 84 branches (December 2022: 81 branches; June 2022: 77 branches) in Azad Jammu and Kashmir.

**2 BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

Bye-Laws of the Bank 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 (SBP) and Section 34 of the Banking Companies Ordinance, 1962. Accordingly, these financial statements have been prepared in accordance with the requirements of the Act, its Bye-Laws and approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of:

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).

Whenever the requirements of the directives issued by the SBP differ with the requirements of IFRS, the requirements of the said directives, shall prevail.

- 2.2** The disclosures made in this condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05 of 2019 dated March 22, 2019 and International Accounting Standard 34, "Interim Financial Reporting". These condensed interim financial statements 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, 2021.

Banking Policy & Regulations Department of State Bank of Pakistan (SBP) via circular no. 2 of 2023 dated 09 February 2023, introduced the new format for preparation of annual and interim financial statements for microfinance banks due to significant regulatory developments including implementation of IFRS 9 as well as many other additions / amendments in the International Financial Reporting Standards. The revised format for preparation of annual financial statements are applicable on bank effective from the accounting year ending 31st December, 2024 and revised format for preparation of interim financial statements are applicable effective from the first quarter of year 2024.

**3 AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT PERIOD**

- a) Standards, interpretations of and amendments to accounting and reporting standards that are effective in the current period**

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2023. These are either considered to be not relevant or do not have any significant impact on these condensed interim financial statements.

- b) Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's condensed interim financial statements other than certain additional disclosures.

As per the SBP's BPRD Circular Letter no. 03 dated July 05, 2022, the applicability of IFRS 9, Financial Instruments has been deferred to accounting periods beginning on or after January 01, 2023. Certain requirements of this standard will be applicable from January 01, 2024. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.



IFRS 9 Financial Instruments addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of an impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the financial statements for the year ended December 31, 2022.

**5 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited annual financial statements of the Bank, for the year ended December 31, 2022.

**6 FINANCIAL RISK MANAGEMENT**

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, 2022.

		(Un-audited) June 30, 2023	(Un-audited) June 30, 2022
		-----Rupees in '000-----	
<b>7 CASH AND CASH EQUIVALENTS</b>	<b>Note</b>		
Cash and balances with treasury banks		2,650,516	2,340,451
Balances with other banks		<u>7,607,625</u>	<u>6,263,967</u>
	7.1	<u><u>10,258,141</u></u>	<u><u>8,604,418</u></u>

7.1 Cash and cash equivalents include the cash in hand, balances in current and saving deposits and term deposits with maturity of less than 3 months.

(Un-audited) (Audited)  
June 30, December  
2023 31, 2022  
-----Rupees in '000-----

**8 CASH AND BALANCES WITH TREASURY BANKS**

In hand			
Local currency		208,610	283,116
With National Bank of Pakistan in			
Local currency current accounts		266,866	2,111
Local currency deposit accounts	8.1	475,040	86,190
Local currency term deposit accounts	8.2	5,900,000	5,900,000
		6,641,906	5,988,301
		60	-
Prize bonds		6,850,576	6,271,417

8.1 This represents deposit accounts carrying markup rates ranging from 15.5% to 19.5% (2022: 8.25% to 14.25%) per annum.

8.2 This represents term deposits carrying markup rates ranging from 15.50% to 21.50% (2022: 10.30% to 15.60%) per annum having maturities ranging from 3 months to 12 months.

(Un-audited) (Audited)  
June 30, December  
2023 31, 2022  
-----Rupees in '000-----

**9 BALANCES WITH OTHER BANKS**

In Pakistan (Azad Jammu and Kashmir)			
In current accounts		349,254	494,362
In deposit accounts	9.1	16,318,370	15,594,305
		16,667,624	16,088,667

9.1 This includes saving deposit accounts amounting Rs. 1,197,630 thousands (2022: Rs. 1,011,533 thousands) carrying markup rates ranging from 15.5% to 19.5% (2022: 8.25% to 14.5%) per annum and term deposits carrying markup rates ranging from 15.65% to 23.75% (2022: 10.6% to 22.5%) per annum having maturities ranging from 1 months to 2 years except for two term deposits amounting to Rs. 500,000 thousand and Rs. 1,200,000 thousand placed with a bank maturing in 2029 and 2032 respectively.

10 INVESTMENTS	(Un-audited)				(Audited)			
	June 30, 2023				December 31, 2022			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
10.1 Investments by type:								
	-----Rupees in '000-----							
<b>Available-for-sale securities</b>								
Units of open ended mutual funds	205,000	-	(56,530)	148,470	205,000	-	(41,803)	163,197
<b>Held-to-maturity securities</b>								
Term finance certificates - note 10.2	49,940	(49,940)	-	-	49,940	(49,940)	-	-
<b>Total Investments</b>	254,940	(49,940)	(56,530)	148,470	254,940	(49,940)	(41,803)	163,197

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	-----Rupees in '000-----	
10.2 Provision for diminution in value of investments	49,940	49,940
10.2.1 Opening balance	-	-
Charge for the period / year	49,940	49,940
Closing balance		

10.2.2 Particulars of provision against debt securities	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
	-----Rupees in '000-----			
Category of classification - Non Performing Investments (NPI)	NPI	Provision	NPI	Provision
Domestic	49,940	49,940	49,940	49,940
Loss	49,940	49,940	49,940	49,940
Total				

11 ADVANCES	Performing		Non Performing		Total	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	-----Rupees in '000-----					
Loans, cash credits, running finances, etc.	3,652,660	3,369,395	138,446	134,644	3,791,106	3,504,039
Advances - gross	3,652,660	3,369,395	138,446	134,644	3,791,106	3,504,039
Provision against advances						
- Specific	-	-	(133,662)	(127,687)	(133,662)	(127,687)
- General	(87,494)	(86,122)	-	-	(87,494)	(86,122)
	(87,494)	(86,122)	(133,662)	(127,687)	(221,156)	(213,809)
Advances - net of provision	3,565,166	3,283,273	4,784	6,957	3,569,950	3,290,230

11.1 Particulars of advances (Gross)	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
	-----Rupees in '000-----			
In local currency	3,791,106		3,504,039	
11.2 Advances include Rs. 138,446 thousand (2022: 134,644 thousand) which have been placed under non-performing status as detailed below:-				

Category of Classification	(Un-audited) June 30, 2023		(Audited) December 31, 2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	-----Rupees in '000-----			
Domestic	200	-	-	-
Other Assets Especially Mentioned	4,371	531	4,883	854
Substandard	36	18	1,151	437
Doubtful	133,839	133,113	128,610	126,396
Loss	138,446	133,662	134,644	127,687
Total				

11.3 Particulars of provision against advances	(Un-audited) June 30, 2023			(Audited) December 31, 2022		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
Opening balance	127,687	86,122	213,809	108,487	79,599	188,086
Charge for the period / year	13,662	1,372	15,034	41,697	6,523	48,220
Reversals	(6,659)	-	(6,659)	(19,135)	-	(19,135)
	7,003	1,372	8,375	22,562	6,523	29,085
Amounts charged off - agriculture financing	(1,028)	-	(1,028)	(3,362)	-	(3,362)
Closing balance	133,662	87,494	221,156	127,687	86,122	213,809



**11.3.1 Particulars of provision against advances**

	June 30, 2023 (Un-audited)			December 31, 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
In local currency	133,662	87,494	221,156	127,887	86,122	213,809

11.3.2 The FSV benefit availed as at June 30, 2023 is Rs. 2,941 thousand (2022: Rs. 3,335 thousand). Had the FSV benefit not been availed, Bank's profit before and after tax would have been decreased by Rs. 1,280 thousand (2022: Rs. 3,335 thousand) and Rs. 653 thousand (2022: Rs. 1,700 thousand) respectively. under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

	Note	(Un-audited)	(Audited)
		June 30, 2023	December 31, 2022
		-----Rupees in '000-----	
<b>12 FIXED ASSETS</b>			
Capital work-in-progress	12.1	2,207	16,002
Property and equipment	12.2, 12.3	377,387	349,476
		<u>379,594</u>	<u>365,478</u>
<b>12.1 Capital work-in-progress</b>			
Advances to suppliers		<u>2,207</u>	<u>16,002</u>
12.1.1 This represents advances to suppliers in respect of purchase of furniture and vehicles.			
12.2 This includes right-of-use assets amounting to Rs. 151,549 thousand (2022 : 145,892 thousand).			
		(Un-audited)	(Un-audited)
		June 30, 2023	June 30, 2022
		-----Rupees in '000-----	
<b>12.3 Additions to fixed assets</b>	Note		
The following additions have been made to fixed assets during the period:			
Capital work-in-progress	12.3.1	(13,795)	9,120
<b>Property and equipment</b>			
Freehold land		-	28,685
Leasehold Improvements		9,914	1,444
Furniture and fixture		15,286	2,265
Computer equipment		8,604	4,367
Vehicles		11,674	-
Electrical office and computer equipment		1,021	1,265
		<u>46,499</u>	<u>38,026</u>
Right-of-use assets		<u>26,697</u>	<u>28,988</u>
Total		<u>59,401</u>	<u>76,134</u>
		(Un-audited)	(Audited)
		June 30, 2023	December 31, 2022
		-----Rupees in '000-----	
<b>12.3.1 Capital work-in-progress</b>			
Furniture and fixture		1,954	4,737
Vehicles		253	11,265
		<u>2,207</u>	<u>16,002</u>
<b>13 DEFERRED TAX ASSETS</b>			
<b>Taxable temporary differences on :</b>			
- Accelerated tax depreciation		(58,478)	(50,931)
<b>Deductible temporary differences on :</b>			
-Provision against receivable from Kashmir Council		2,359	2,070
-Provision against customer claims		11,933	10,472
-Deficit on revaluation of investments		27,700	17,975
-Lease liability against right of used assets		82,073	69,336
- Provision against non-performing advances		269	679
		<u>124,334</u>	<u>100,532</u>
Net deferred tax asset		<u>65,856</u>	<u>49,601</u>
<b>14 OTHER ASSETS</b>			
Income/ mark-up accrued in local currency - net of provision	14.1	2,932,909	2,170,017
Branch adjustment account		103,288	-
Advances, deposits, advance rent and other prepayments		20,473	2,111
Stationery and stamps in hand		12,105	6,371
Others		12,418	59,182
		<u>3,081,193</u>	<u>2,237,681</u>
Less: Provision held against other assets	14.2	(4,815)	(4,815)
Other assets - net of provision		<u>3,076,378</u>	<u>2,232,866</u>

14.1 This balance has been arrived at after adjusting interest in suspense account of Rs. 146,092 thousand (2022: Rs. 139,879 thousand).

(Un-audited)      Audited  
June 30,      December 31,  
2023      2022  
-----Rupees in '000-----

14.2 **Provision held against other assets**

Receivable from Kashmir Council

4,815      4,815

15 **BILLS PAYABLE**

In Pakistan

41,882      82,751

16 **DEPOSITS AND OTHER ACCOUNTS**

(Un-audited)			Audited		
June 30, 2023			December 31, 2022		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
-----Rupees in '000-----					

**Customers**

Current deposits	6,318,139	-	6,318,139	5,798,819	-	5,798,819
Savings deposits	11,563,059	-	11,563,059	10,267,737	-	10,267,737
Term deposits	5,123,575	-	5,123,575	4,761,520	-	4,761,520
Others	157,324	-	157,324	176,353	-	176,353
	<u>23,162,097</u>	-	<u>23,162,097</u>	<u>21,004,229</u>	-	<u>21,004,229</u>

(Un-audited)      Audited  
June 30,      December 31,  
2023      2022  
-----Rupees in '000-----

17 **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Lease liabilities included in the statement of financial position

167,496      161,246

of which are:

Current lease liability

41,751      44,372

Non Current lease liability

125,745      116,874

167,496      161,246

**Maturity analysis - contractual undiscounted cash flows**

Less than one year

47,759      47,439

One to five years

155,243      140,048

More than five years

41,904      46,827

Total undiscounted lease liabilities

244,906      234,314

18 **OTHER LIABILITIES**

Mark-up/ return/ interest payable in local currency

18.1      841,443      669,649

Accrued expenses

6,704      12,576

Income tax payable

211,470      264,620

Branch adjustment account

-      30,085

Provision for bonus to employees

42,181      48,009

Provision against customer claims

24,354      24,354

Leave encashment

82,095      81,121

Education cess

28,628      46,113

Others

72,159      167,784

1,309,034      1,344,311

18.1 It includes an amount of Rs. 175,634 thousand (2022: Rs. 288,873 thousand) on account of interest payable to related parties .

	Note	(Un-audited) June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----			
<b>19 DEFICIT ON REVALUATION OF ASSETS</b>			
Deficit on revaluation of			
- Available for sale securities	10.1	(56,530)	(41,803)
Deferred tax on deficit on revaluation of:			
- Available for sale securities		27,700	17,975
		<u>(28,830)</u>	<u>(23,828)</u>

**20 CONTINGENCIES AND COMMITMENTS**

-Guarantees	20.1	118,825	35,867
-Commitments	20.2	140,687	144,528
-Bills for collection	20.3	29,996	10,816
		<u>289,508</u>	<u>191,211</u>

**20.1 Guarantees:**

Financial guarantees		<u>118,825</u>	<u>35,867</u>
----------------------	--	----------------	---------------

**20.2 Commitments:**

Loan sanctioned but not disbursed		15,885	109,993
Unavailed running finance		124,802	34,535
		<u>140,687</u>	<u>144,528</u>

**20.3 Bills for collection**

Bills for collection represent bills drawn in favor of various financial institutions on behalf of the 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.

-----Unaudited-----

For the Half Year ended June 30, 2023	For the Half Year ended June 30, 2022
--	---

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

**21 MARK-UP / RETURN / INTEREST EARNED**

On:			
a) Loans and advances		273,404	222,404
b) Balances with banks		1,818,951	1,117,852
		<u>2,092,355</u>	<u>1,340,256</u>

**22 MARK-UP/RETURN/INTEREST EXPENSED**

On:			
a) Deposits		1,156,588	536,956
b) Liabilities against assets subject to finance lease		12,127	12,647
		<u>1,168,715</u>	<u>549,603</u>

**23 FEE & COMMISSION INCOME**

Branch banking customer fees	1,615	1,569
Commission on cheque books	3,390	2,377
Credit related fees	4,384	2,702
Commission on guarantees	862	520
Commission on remittances	1,391	853
Commission on insurance	80	1,257
Commission on utility bills	3,391	2,924
Postages charges	358	321
Others	130	123
	<u>15,601</u>	<u>12,646</u>



		-----Unaudited-----	
		For the Half Year ended June 30, 2023	For the Half Year ended June 30, 2022
		-----Rupees in '000-----	
<b>24</b>	<b>OTHER INCOME</b>		
	Gain on sale of fixed assets	-	-
	Site visits and fee collection charges	2,952	3,402
	Write offs recovered	2,338	2,575
	Other income	2,130	135
		<u>7,420</u>	<u>6,112</u>
<b>25</b>	<b>OPERATING EXPENSES</b>		
	Total compensation expense	301,248	265,985
	<b>Property expense</b>		
	Rent & taxes	405	-
	Insurance	570	-
	Utilities cost	17,918	14,721
	Security (including guards)	28,192	16,789
	Repair & maintenance (including janitorial charges)	10,265	6,202
	Depreciation on right-of-use assets	21,041	15,974
	Depreciation on owned fixed assets	5,815	3,883
		<u>84,206</u>	<u>57,569</u>
	<b>Information technology expenses</b>		
	Software maintenance	8,944	10,635
	Hardware maintenance	1,948	1,328
	Depreciation	5,055	3,564
	Network charges	5,148	3,800
		<u>21,095</u>	<u>19,327</u>
	<b>Other operating expenses</b>		
	Directors' fees and allowances	3,184	1,293
	Legal & professional charges	5,412	325
	Travelling & conveyance	10,779	7,435
	Depreciation	9,313	5,877
	Entertainment	11,690	7,916
	Donation	-	-
	Training and development	650	2,945
	Postage & courier charges	1,834	1,987
	Communication	2,327	2,102
	Stationery & printing	11,864	5,824
	Marketing, advertisement & publicity	2,028	1,034
	Auditors' remuneration	1,955	1,331
	Education cess	23,580	19,824
	Others	16,201	9,071
		<u>100,817</u>	<u>66,964</u>
		<u>507,366</u>	<u>409,845</u>
<b>26</b>	<b>PROVISIONS &amp; WRITE OFFS - NET</b>		
	Charge of provisions against loans & advances - net	11.3	8,375
			<u>24,950</u>
<b>27</b>	<b>TAXATION</b>		
	Current	235,797	198,238
	Deferred	(6,530)	(13,718)
		<u>229,267</u>	<u>184,520</u>
<b>28</b>	<b>EARNINGS PER SHARE</b>		
	Profit for the period	214,022	199,192
	Weighted average number of ordinary shares	514,290,320	514,290,320
	Basic and diluted earnings per share	0.42	0.39

## 29 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

### 29.1 Fair value of financial assets

The Bank 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).

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 categorized:

	June 30, 2023 (Un-Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>	-----Rupees in '000-----				
<b>Financial assets - measured at fair value</b>					
Investments					
Mutual Fund	-	148,470	-	-	148,470
	-	148,470	-	-	148,470
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	6,850,576	-	-	-	6,850,576
Balances with other banks	16,667,624	-	-	-	16,667,624
Advances	3,569,950	-	-	-	3,569,950
Other assets	2,960,985	-	-	-	2,960,985
	30,049,135	-	-	-	30,049,135
	30,049,135	148,470	-	-	30,197,605
	December 31, 2022 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>	-----Rupees in '000-----				
<b>Financial assets - measured at fair value</b>					
Investments					
Mutual Fund	-	163,197	-	-	163,197
	-	163,197	-	-	163,197
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	6,271,417	-	-	-	6,271,417
Balances with other banks	16,088,667	-	-	-	16,088,667
Advances	3,290,230	-	-	-	3,290,230
Other assets	2,226,495	-	-	-	2,226,495
	27,876,809	-	-	-	27,876,809
	27,876,809	163,197	-	-	28,040,006

## For the half year ended June 30, 2023 (Un-audited)

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
<b>Profit and loss account</b>					
Net mark-up/return/profit	221,591	702,049	-	-	923,640
Non mark-up/return/interest income	75	19,712	12,090	3,513	35,390
<b>Total Income</b>	<b>221,666</b>	<b>721,761</b>	<b>12,090</b>	<b>3,513</b>	<b>959,030</b>
Segment direct expenses	52,857	450,789	2,883	837	507,366
<b>Total expenses</b>	<b>52,857</b>	<b>450,789</b>	<b>2,883</b>	<b>837</b>	<b>507,366</b>
Provisions charged / (reversal)	1,372	7,003	-	-	8,375
<b>Profit before tax</b>	<b>167,437</b>	<b>263,969</b>	<b>9,207</b>	<b>2,676</b>	<b>443,289</b>

## As at June 30, 2023 (Un-audited)

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
<b>Statement of financial position</b>					
Cash & bank balances	-	23,518,200	-	-	23,518,200
Investments	-	148,470	-	-	148,470
Advances - performing	3,015,416	637,244	-	-	3,652,660
- non-performing	40,392	98,054	-	-	138,446
- provision	(129,233)	(91,923)	-	-	(221,156)
	2,926,575	643,375	-	-	3,569,950
Operating fixed assets	39,546	337,265	2,157	626	379,594
Deferred tax asset	6,861	58,512	374	109	65,856
Others	2,368,247	604,548	103,516	67	3,076,378
<b>Total assets</b>	<b>5,341,229</b>	<b>25,310,370</b>	<b>106,047</b>	<b>802</b>	<b>30,758,448</b>
Bills payable	-	41,882	-	-	41,882
Deposits & other accounts	-	23,162,097	-	-	23,162,097
Lease liability	17,451	148,818	952	275	167,496
Others	81,198	1,226,212	1,612	12	1,309,034
<b>Total liabilities</b>	<b>98,649</b>	<b>24,579,009</b>	<b>2,564</b>	<b>287</b>	<b>24,680,509</b>
Equity	5,242,580	731,361	103,483	515	6,077,939
<b>Total equity &amp; liabilities</b>	<b>5,341,229</b>	<b>25,310,370</b>	<b>106,047</b>	<b>802</b>	<b>30,758,448</b>
<b>Contingencies &amp; Commitments</b>	<b>15,885</b>	<b>124,802</b>	<b>29,996</b>	<b>118,825</b>	<b>289,508</b>

## For the half year ended June 30, 2022 (Un-audited)

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
<b>Profit and loss account</b>					
Net mark-up/return/profit	201,226	589,427	-	-	790,653
Non mark-up/return/interest income	46	14,937	8,465	4,406	27,854
<b>Total Income</b>	<b>201,272</b>	<b>604,364</b>	<b>8,465</b>	<b>4,406</b>	<b>818,507</b>
Segment direct expenses	60,295	345,694	2,536	1,320	409,845
<b>Total expenses</b>	<b>60,295</b>	<b>345,694</b>	<b>2,536</b>	<b>1,320</b>	<b>409,845</b>
Provisions (reversal)	1,874	23,076	-	-	24,950
<b>Profit before tax</b>	<b>139,103</b>	<b>235,594</b>	<b>5,929</b>	<b>3,086</b>	<b>383,712</b>



## As at December 31, 2022 (Audited)

## Statement of financial Position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	-----Rupees in '000-----				
Cash & Bank balances	-	22,360,084	-	-	22,360,084
Investments	-	163,197	-	-	163,197
Advances - performing	2,878,180	491,215	-	-	3,369,395
- non-performing	44,308	90,336	-	-	134,644
- provision	(129,190)	(84,619)	-	-	(213,809)
Operating fixed assets	46,960	315,428	2,213	877	365,478
Deferred tax asset	6,373	42,808	300	120	49,601
Others	1,817,943	414,391	381	151	2,232,866
<b>Total assets</b>	<b>4,664,574</b>	<b>23,792,840</b>	<b>2,894</b>	<b>1,148</b>	<b>28,461,456</b>
Bills payable	-	82,751	-	-	82,751
Deposits & other accounts	-	21,004,229	-	-	21,004,229
Liabilities against assets subject to finance lease	20,718	139,164	976	388	161,246
Others	105,640	1,208,494	30,151	26	1,344,311
<b>Total liabilities</b>	<b>126,358</b>	<b>22,434,638</b>	<b>31,127</b>	<b>414</b>	<b>22,592,537</b>
Equity	4,538,216	1,358,202	(28,233)	734	5,868,919
<b>Total equity &amp; liabilities</b>	<b>4,664,574</b>	<b>23,792,840</b>	<b>2,894</b>	<b>1,148</b>	<b>28,461,456</b>
Contingencies & commitments	23,153	29,331	10,816	35,867	99,167

### 31 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 period 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 Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements are as follows:

	(Un-audited) June 30, 2023			(Audited) December 31, 2022		
	Directors	Government of AJK and its related department	Key management personnel	Directors	Government of AJK and its related department	Key management personnel
----- Rupees in '000 -----						
<b>Advances</b>						
Opening balance	-	-	105,283	-	-	61,031
Additions / (decrease) during the period / year	-	-	12,161	-	-	44,252
Closing balance	-	-	117,444	-	-	105,283
Provision held against advances	-	-	-	-	-	-
<b>Other assets</b>	-	-	-	-	-	-
<b>Deposits and other accounts</b>						
Opening balance	-	9,578,386	3,239	-	8,332,479	4,384
(Paid) / Received during the period / year - Net	-	(360,137)	(950)	-	1,245,907	(1,145)
Closing balance	-	9,218,249	2,289	-	9,578,386	3,239
<b>Other Liabilities</b>						
Interest / mark-up payable	-	175,634	-	-	288,873	-

### RELATED PARTY TRANSACTIONS

	(Un-audited) For the half year ended June 30, 2023			(Un-audited) For the half year ended June 30, 2022		
	Directors	Government of AJK and its related department	Key management personnel	Directors	Government of AJK and its related department	Key management personnel
----- (Rupees in '000) -----						
<b>Income</b>						
Mark-up / return / interest earned	-	-	1,154	-	-	991
<b>Expense</b>						
Mark-up / return / interest paid	-	105,196	97	-	93,757	92
Directors' fees and allowances	3,184	-	-	1,293	-	-
	3,184	105,196	97	1,293	93,757	92

**CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

(Un-audited)	(Audited)
June 30, 2023	December 31, 2022
-----Rupees in '000-----	

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses)

<b>10,000,000</b>	<b>10,000,000</b>
<b>5,142,903</b>	<b>5,142,903</b>

**Capital Adequacy Ratio (CAR):**

Eligible common equity tier 1 (CET 1) capital

Eligible additional tier 1 (ADT 1) capital

Total regulatory adjustment applied to CET1

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

<b>6,106,769</b>	<b>5,824,278</b>
-	-
-	-
<b>6,106,769</b>	<b>5,824,278</b>
<b>58,664</b>	<b>86,122</b>
<b>6,165,433</b>	<b>5,910,400</b>

**Risk Weighted Assets (RWAs):**

Credit Risk

Market Risk

Operational Risk

Total

<b>13,422,502</b>	<b>10,351,574</b>
<b>371,175</b>	<b>407,993</b>
<b>1,393,976</b>	<b>2,277,353</b>
<b>15,187,653</b>	<b>13,036,920</b>

Common Equity Tier 1 Capital Adequacy Ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

<b>40.21%</b>	<b>44.68%</b>
<b>40.21%</b>	<b>44.68%</b>
<b>40.60%</b>	<b>45.34%</b>

**Leverage Ratio (LR):**

Eligible Tier-1 Capital

Total Exposure

Leverage Ratio

<b>6,106,769</b>	<b>5,824,278</b>
<b>31,047,956</b>	<b>28,652,667</b>
<b>20%</b>	<b>20%</b>

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the period ended June 30, 2023 stood at Rs.5,143 million (2022: Rs.5143 million). Banks are also required to maintain a minimum CAR of 10.00% plus capital conservation buffer of 2.50% and High Loss Absorbency Requirement of 1.00% of the risk weighted exposures of the Bank.

Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.00% and 7.50%, respectively, as at June 30, 2023.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigates are applied against the Bank's exposures based on eligible collateral under comprehensive approach.

(Un-audited)	(Audited)
June 30, 2023	December 31, 2022
-----Rupees in '000-----	

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

<b>23,518,200</b>	<b>22,360,084</b>
<b>10,872,146</b>	<b>10,661,825</b>
<b>216%</b>	<b>210%</b>

**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

<b>16,513,522</b>	<b>16,107,537</b>
<b>12,839,931</b>	<b>13,041,637</b>
<b>129%</b>	<b>124%</b>



**33 GENERAL**

Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

**34 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on

\_\_\_\_\_.



President/CEO

Chief Financial Officer

Director

Director

Director