

**BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2021**

Page 1 of 1

**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, 2021 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 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 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, 2021 and June 30, 2020 have not been reviewed by us, as we are required to review only cumulative figures for the half year ended June 30, 2021.

  
**Chartered Accountants**

Engagement Partner: Shahzad Ali

Date: August 31, 2021  
Islamabad

THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2021

		(Un-audited)	(Audited)
	Note	June 30, 2021	December 31, 2020
-----Rupees in '000-----			
<b>ASSETS</b>			
Cash and balances with treasury banks	5	5,032,706	3,454,865
Balances with other banks	6	15,433,172	9,825,491
Lendings to financial institutions		-	-
Investments	7	196,808	185,845
Advances	8	2,584,247	2,246,653
Fixed assets	9	217,625	230,026
Intangible assets		-	-
Deferred tax assets	10	24,900	26,407
Other assets	11	826,548	850,127
		<b>24,316,006</b>	<b>16,819,414</b>
<b>LIABILITIES</b>			
Bills payable	12	27,227	67,414
Borrowings		-	-
Deposits and other accounts	13	17,796,949	13,700,340
Liabilities against assets subject to finance lease		124,856	132,911
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	14	1,057,585	534,159
		<b>19,006,617</b>	<b>14,434,824</b>
<b>NET ASSETS</b>			
		<b>5,309,389</b>	<b>2,384,590</b>
<b>REPRESENTED BY</b>			
Share capital		2,129,911	2,129,911
Reserves		-	-
Advance against issue of shares	15	2,800,000	-
Deficit on revaluation of assets	16	(5,325)	(12,451)
Unappropriated profit		384,803	267,130
		<b>5,309,389</b>	<b>2,384,590</b>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 31 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, 2021

	Note	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	For the Half Year ended June 30, 2021	For the Half Year ended June 30, 2020
-----Rupees in '000-----					
Mark-up / return / interest earned	18	362,925	394,831	774,209	804,435
Mark-up / return / interest expensed	19	160,141	193,751	314,668	398,929
Net mark-up/interest income		202,784	201,080	459,541	405,506
<b>NON MARK-UP/INTEREST INCOME</b>					
Fee and commission income	20	6,213	3,531	11,690	7,469
Dividend income		390	-	390	815
Foreign exchange income		-	-	-	-
Income from derivatives		-	-	-	-
Other income	21	1,452	1,010	3,059	1,697
Total non-markup/interest Income		8,055	4,541	15,139	9,981
Total Income		210,839	205,621	474,680	415,487
<b>NON MARK-UP/INTEREST EXPENSES</b>					
Operating expenses	22	139,819	121,670	270,135	247,365
Workers welfare fund		-	-	-	-
Other charges		-	-	-	-
Total non-markup/interest expenses		139,819	121,670	270,135	247,365
Profit before provisions		71,020	83,951	204,545	168,122
Provisions and write offs - net	23	7,596	12,389	14,838	17,511
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		63,424	71,562	189,707	150,611
Taxation	24	17,320	27,713	72,034	60,518
<b>PROFIT AFTER TAXATION</b>		46,104	43,849	117,673	90,093
-----Rupees-----					
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	25	0.21	0.39	0.54	0.80

The annexed notes 1 to 31 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, 2021

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	For the Half Year ended June 30, 2021	For the Half Year ended June 30, 2020
-----Rupees in '000-----				
Profit after taxation for the period	46,104	43,849	117,673	90,093
<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 - net	7,278	(44,397)	10,963	(12,562)
Related deferred tax	(2,547)	15,539	(3,837)	4,397
	4,731	(28,858)	7,126	(8,165)
<b>Total comprehensive income</b>	<b>50,835</b>	<b>14,991</b>	<b>124,799</b>	<b>81,928</b>

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

  
President/CEO

  
Chief Financial Officer

  
Director

  
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THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2021

	Share capital	Advance against issue of shares	Surplus / (deficit) on revaluation of assets	Unappropriated profit	Total
	-----Rupees in '000-----				
Balance as at January 01, 2020	1,027,192	-	(17,289)	217,160	1,227,063
Profit after taxation for the half year ended June 30, 2020	-	-	-	90,093	90,093
Other comprehensive income - net of tax	-	-	(8,165)	-	(8,165)
<b>Transactions with owners, recorded directly in equity</b>					
Issue of bonus shares	102,719	-	-	(102,719)	-
Balance as at July 01, 2020	1,129,911	-	(25,454)	204,534	1,308,991
Profit after taxation for the half year ended December 31, 2020	-	-	-	62,596	62,596
Other comprehensive income - net of tax	-	-	13,003	-	13,003
<b>Transactions with owners, recorded directly in equity</b>					
Issue of share capital	1,000,000	-	-	-	1,000,000
Balance as at December 31, 2020	2,129,911	-	(12,451)	267,130	2,384,590
Profit after taxation for the current period	-	-	-	117,673	117,673
Other comprehensive income - net of tax	-	-	7,126	-	7,126
<b>Transactions with owners, recorded directly in equity</b>					
Advance against issue of shares	-	2,800,000	-	-	2,800,000
Balance as at June 30, 2021	2,129,911	2,800,000	(5,325)	384,803	5,309,389

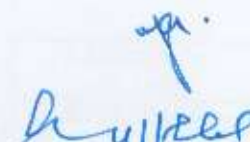
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THE BANK OF AZAD JAMMU AND KASHMIR  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2021

Note	For the Half Year ended June 30, 2021	For the Half Year ended June 30, 2020
-----Rupees in '000-----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	189,707	150,611
Less: Dividend income	390	815
	189,317	149,796
Adjustments:		
Depreciation	10,832	12,538
Depreciation on right-of-use assets	14,886	13,179
Mark-up / return / interest expensed on lease liability against right-of-use assets	7,629	7,530
Provision against loans and advances	14,838	17,511
	48,185	50,758
	237,502	200,554
(Increase)/ decrease in operating assets		
Advances	(352,432)	239,685
Others assets (excluding advance taxation)	23,579	(377,444)
	(328,853)	(137,759)
Increase/ (decrease) in operating liabilities		
Bills payable	(40,187)	(3,358)
Deposits	4,096,609	2,660,101
Other liabilities (excluding current taxation)	496,800	59,921
	4,553,222	2,716,664
Income tax paid	(47,737)	(40,506)
Net cash flow generated from operating activities	4,414,134	2,738,953
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividends received	390	815
Investments in operating fixed assets	(12,206)	(6,719)
Proceeds from sale of fixed assets	-	-
Net cash flow used in investing activities	(11,816)	(5,904)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Advance received against issue of shares	2,800,000	-
Payment of lease liability against right-of-use assets	(16,796)	(14,421)
Net cash flow generated from / (used in) financing activities	2,783,204	(14,421)
<b>Increase in cash and cash equivalents</b>	<b>7,185,522</b>	<b>2,718,628</b>
Cash and cash equivalents at beginning of the period	13,280,356	10,314,178
Cash and cash equivalents at end of the period	20,465,878	13,032,806

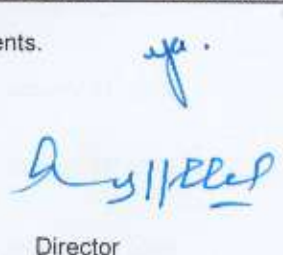
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**THE BANK OF AZAD JAMMU AND KASHMIR**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2021**

**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 74 branches (December 2020: 70 branches; June 2020: 70 branches) in Azad Jammu and Kashmir.

**2. BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

These condensed interim financial statements for the half year ended June 30, 2021 have been prepared in accordance with the requirements of the Act, its bye Laws and 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 Act, its byelaws, the Banking Companies Ordinance, 1962, or the directives issued by the SBP differ with the requirements of IFRS, the requirements of the Act, its bye laws, the Banking Companies Ordinance, 1962 and the 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, 2020.

**2.3 Amendments to existing accounting and reporting standards that have become effective in the current period.**

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from Accounting period beginning on or after</b>
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020



## 2.4 Standards, interpretations of and amendments to approved accounting 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 Company's operations or are not expected to have significant impact on the Company's condensed interim financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

As per the SBP's BPRD Circular Letter no. 24 dated July 05, 2021, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2022. 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.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

## 2.5 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, 2020.

## 3 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, 2020.

#### 4 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, 2020.

		(Un-audited) June 30, 2021	(Audited) December 31, 2020
		-----Rupees in '000-----	
5	<b>CASH AND BALANCES WITH TREASURY BANKS</b>		
	In hand		
	Local currency	195,245	130,520
	With National Bank of Pakistan in		
	Local currency current accounts	290,720	32,358
	Local currency deposit account	1,126,741	21,662
	Local currency term deposit accounts	3,420,000	3,270,000
		4,837,461	3,324,020
	Prize bonds	-	325
		5,032,706	3,454,865

5.1 This represents deposit accounts carrying markup rates from 6% to 8% (2020: 6% to 8%) per annum and term deposits carrying markup rates ranging from 6.92% (2020: 6.7% to 12.4%) per annum having maturities within three months.

#### 6 BALANCES WITH OTHER BANKS

In Pakistan (Azad Jammu and Kashmir)

In current accounts

In deposit accounts

	243,908	182,289
6.1	15,189,264	9,643,202
	15,433,172	9,825,491

6.1 This represents savings deposit accounts amounting to Rs. 1,832,420 thousand (2020: 582,652 thousand) carrying markup rates ranging from 6% to 8% (2020: 6% to 8%) and term deposits carrying markup rates ranging from 6.7% to 20% (2020: 6.7% to 20%) having maturities ranging from 3 months to 3 years except for a term deposit for an amount of Rs. 500 million placed with a bank maturing in 2029.

#### 7 INVESTMENTS

Investments by type:

	(Un-audited) June 30, 2021				(Audited) December 31, 2020			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
-----Rupees in '000-----								
Available-for-sale securities								
Units of open ended mutual funds	205,000	-	(8,192)	196,808	205,000	-	(19,155)	185,845
Held-to-maturity securities								
Term finance certificates - note 7.2	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total Investments	254,940	(49,940)	(8,192)	196,808	254,940	(49,940)	(19,155)	185,845

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	-----Rupees in '000-----	
7.2	<b>Provision for diminution in value of Investments</b>	
7.2.1	Opening balance	49,940
	Charge for the period / year	-
	Closing Balance	49,940



## 7.2.2 Particulars of provision against debt securities

Category of classification - Non Performing Investment (NPI)	(Un-audited) June 30,		(Audited) December 31, 2020	
	NPI	Provision	NPI	Provision
Domestic				
Loss	49,940	49,940	49,940	49,940
Total	49,940	49,940	49,940	49,940

## 8 ADVANCES

	Performing		Non Performing		Total	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
-----Rupees in '000-----						
Loans, cash credits, running finances, etc.	2,605,340	2,240,135	197,084	209,857	2,802,424	2,449,992
Advances - gross	2,605,340	2,240,135	197,084	209,857	2,802,424	2,449,992
Provision against advances						
- Specific	-	-	(147,494)	(147,620)	(147,494)	(147,620)
- General	(70,683)	(55,719)	-	-	(70,683)	(55,719)
	(70,683)	(55,719)	(147,494)	(147,620)	(218,177)	(203,339)
Advances - net of provision	2,534,657	2,184,416	49,590	62,237	2,584,247	2,246,653

8.1 Particulars of advances (Gross)	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	-----Rupees in '000-----	
In local currency	2,802,424	2,449,992

8.2 Advances include Rs. 197,084 thousand (2020: 209,857 thousand) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-audited) June 30,		(Audited) December 31, 2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
-----Rupees in '000-----				
Domestic				
Other Assets Especially Mentioned	164	-	748	-
Substandard	9,138	1,587	17,380	2,452
Doubtful	5,527	2,763	7,769	1,141
Loss	182,255	143,144	183,960	144,027
Total	197,084	147,494	209,857	147,620

8.3 Particulars of provision against advances	(Un-audited) June 30, 2021			(Audited) December 31, 2020		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
Opening balance	147,620	55,719	203,339	130,093	41,867	171,960
Charge for the period / year	15,947	14,964	30,911	37,539	13,852	51,391
Reversals	(16,073)	-	(16,073)	(20,012)	-	(20,012)
	(126)	14,964	14,838	17,527	13,852	31,379
Closing balance	147,494	70,683	218,177	147,620	55,719	203,339

### 8.3.1 Particulars of provision against advances

			(Un-audited) June 30, 2021			(Audited) December 31, 2020		
			Specific	General	Total	Specific	General	Total
			-----Rupees in '000-----					
In local currency			147,494	70,683	218,177	147,620	55,719	203,339
						Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
						-----Rupees in '000-----		
9	FIXED ASSETS							
	Capital work-in-progress					9.1	3,489	8,101
	Property and equipment					9.2, 9.3	214,136	221,925
							217,625	230,026
9.1	Capital work-in-progress							
	Advances to suppliers						3,489	8,101
						This represents advance to suppliers in respect of purchase of office equipment, computers and furniture.		
9.2	This includes right-of-use assets amounting to Rs. 106,752 Thousand (2020 : 119,625 Thousand).						(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
						-----Rupees in '000-----		
9.3	Additions to fixed assets							
						The following additions have been made to fixed assets during the period:		
	Capital work-in-progress						-	4,057
	Property and equipment							
	Leasehold Improvements						732	67
	Furniture and fixture						2,355	886
	Computer equipments						3,405	-
	Vehicles						7,882	-
	Electrical office and computer equipment						1,544	1,717
							15,918	2,670
	Right-of-use assets						2,012	-
	Total						17,930	6,727
						Note	(Un-audited) June 30, 2021	Audited December 31, 2020
						-----Rupees in '000-----		
10	DEFERRED TAX ASSETS							
	Taxable temporary differences on :							
	- Accelerated tax depreciation						(26,453)	(31,602)
	Deductible temporary differences on :							
	- Provision against receivable from Kashmir Council						1,685	1,685
	- Provision against customer claims						3,101	3,101
	- Deficit on revaluation of investments						2,867	6,704
	- Lease Liability against right of used assets						43,700	46,519
	Net deferred tax assets						24,900	26,407
11	OTHER ASSETS							
	Income/ mark-up accrued in local currency - net of provision						772,377	840,757
	Advances, deposits, advance rent and other prepayments						4,942	3,206
	Stationery and stamps in hand						7,472	3,526
	Others						46,572	7,453
							831,363	854,942
	Less: Provision held against other assets					11.1	(4,815)	(4,815)
	Other assets - net of provision						826,548	850,127



**11.1 Provision held against other assets**

Receivable from Kashmir Council	4,815	4,815
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**12 BILLS PAYABLE**

In Pakistan	27,227	67,414
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**13 DEPOSITS AND OTHER ACCOUNTS**

	(Un-audited)			Audited		
	June 30, 2021			December 31, 2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
-----Rupees in '000-----						
<b>Customers</b>						
Current deposits	6,778,554	-	6,778,554	3,645,063	-	3,645,063
Savings deposits	7,719,012	-	7,719,012	6,821,386	-	6,821,386
Term deposits	3,274,769	-	3,274,769	2,950,163	-	2,950,163
Others	24,614	-	24,614	283,728	-	283,728
	<b>17,796,949</b>	<b>-</b>	<b>17,796,949</b>	<b>13,700,340</b>	<b>-</b>	<b>13,700,340</b>

	Note	(Un-audited) June 30, 2021	Audited December 31, 2020
		-----Rupees in '000-----	
14	<b>OTHER LIABILITIES</b>		
Mark-up/ return/ interest payable in local currency	14.1	249,612	219,505
Accrued expenses		7,301	3,097
Income tax payable		60,597	33,971
Branch adjustment account		619,276	159,152
Provision for bonus to employees		22,966	20,000
Provision against customer claims		8,861	8,861
Leave encashment		39,242	50,814
Education cess		22,218	11,173
Others		27,512	27,586
		<u>1,057,585</u>	<u>534,159</u>

14.1 It includes an amount of Rs. 84,035 thousand (2020: Rs. 70,907 thousand) on account of interest payable to related parties

**15 Advance against issue of shares**

This amount represents money received from the shareholders of the Bank (i.e. Government of Azad Jammu and Kashmir). The President of State of Azad Jammu and Kashmir on the behalf of State of Azad Jammu and Kashmir has approved Rs. 2.8 billion against issue of share on June 21, 2021 via letter no. FDB/16/P-I/20/122268-78/2021, the money was received during the month of June by the Bank.

	Note	(Un-audited) June 30, 2021	Audited December 31, 2020
-----Rupees in '000-----			
<b>16 DEFICIT ON REVALUATION OF ASSETS</b>			
Deficit on revaluation of			
- Available for sale securities	7.1 *	(8,192)	(19,155)
Deferred tax on deficit on revaluation of:			
- Available for sale securities		2,867	6,704
		<u>(5,325)</u>	<u>(12,451)</u>
<b>17 CONTINGENCIES AND COMMITMENTS</b>			
-Guarantees	17.1	23,054	49,622
-Commitments	17.2	65,110	79,180
-Bills for collection	17.3	43,978	14,601
		<u>132,142</u>	<u>143,403</u>
<b>17.1 Guarantees:</b>			
Financial guarantees		23,054	49,622

**17.2 Commitments:**

Loan sanctioned but not disbursed  
Unavailed running finance

29,161	33,319
35,949	45,861
<b>65,110</b>	<b>79,180</b>

**17.3 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.

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

On:

- a) Loans and advances
- b) Investments
- d) Balances with banks

-----Unaudited-----  
For the Half For the Half  
Year ended Year ended June  
June 30, 2021 30, 2020  
-----Rupees in '000-----

184,687	135,066
-	-
589,522	669,369
<b>774,209</b>	<b>804,435</b>

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

On:

- a) Deposits
- b) Lease liability against right-of-use- assets

307,039	391,399
7,629	7,530
<b>314,668</b>	<b>398,929</b>

**20 FEE & COMMISSION INCOME**

Branch banking customer fees  
Commission on cheque books  
Credit related fees  
Commission on guarantees  
Commission on remittances  
Commission on insurance  
Commission on utility bills  
Postages charges  
Others

1,714	1,077
2,522	1,506
3,007	1,708
358	323
613	323
474	-
2,469	2,174
355	262
178	96
<b>11,690</b>	<b>7,469</b>

**21 OTHER INCOME**

Gain on sale of fixed assets  
Other Income

175	-
2,884	1,697
<b>3,059</b>	<b>1,697</b>

**22 OPERATING EXPENSES**

Total compensation expense

**Property expense**

Rent & taxes  
Insurance  
Utilities cost  
Security (including guards)  
Repair & maintenance (including janitorial charges)  
Depreciation on right-of-use assets  
Depreciation on owned fixed assets

173,411	156,125
31	-
2,031	1,492
9,530	8,841
15,447	13,288
3,948	4,221
14,886	13,179
3,685	4,131
<b>49,558</b>	<b>45,152</b>

**Information technology expenses**

Software maintenance  
Hardware maintenance  
Depreciation  
Network charges

7,260	10,228
1,031	803
2,690	3,003
3,589	2,891
<b>14,570</b>	<b>16,925</b>



		-----Unaudited-----	
		For the Half Year ended June 30, 2021	For the Half Year ended June 30, 2020
		-----Rupees in '000-----	
	<b>Other operating expenses</b>		
	Directors' fees and allowances	1,497	1,760
	Legal & professional charges	1,788	183
	Travelling & conveyance	5,649	4,195
	Depreciation	4,457	5,404
	Entertainment	5,248	3,771
	Donation	1,136	170
	Training and development	61	242
	Postage & courier charges	1,699	1,482
	Communication	1,981	1,671
	Stationery & printing	3,838	5,754
	Marketing, advertisement & publicity	156	498
	Auditors' remuneration	1,194	1,089
	Others	3,892	2,944
		32,596	29,163
		270,135	247,365
<b>23</b>	<b>PROVISIONS &amp; WRITE OFFS - NET</b>		
	Charge of provisions against loans & advances - net	8.3	14,838
			17,511
<b>24</b>	<b>TAXATION</b>		
	Current	74,363	62,209
	Deferred	(2,329)	(1,691)
		72,034	60,518
<b>25</b>	<b>BASIC EARNINGS PER SHARE</b>		
	Profit for the period	117,673	90,093
	Weighted average number of ordinary shares:	Number	219,111,419
			112,991,187
	Basic earnings per share	Rupees	0.54
			0.80
<b>25.1</b>	The weighted average number of ordinary shares include the impact of advance against issue of shares as referred in note 15 to the condensed interim financial statements.		
<b>26</b>	<b>FAIR VALUE MEASUREMENTS</b>		
	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.		
<b>26.1</b>	<b>Fair value of financial assets</b>		
	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, 2021 (Un-Audited)**

	Carrying Value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Mutual Fund	-	-	196,808	-	196,808
	-	-	196,808	-	196,808
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	5,032,706	-	-	-	-
Balances with other banks	15,433,172	-	-	-	-
Advances	2,584,247	-	-	-	-
Other assets	818,949	-	-	-	-
	23,869,074	-	-	-	-
	23,869,074	-	196,808	-	196,808

**December 31, 2020 (Audited)**

	Carrying Value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Mutual Fund	-	-	185,845	-	185,845
	-	-	185,845	-	185,845
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	3,454,865	-	-	-	-
Balances with other banks	9,825,491	-	-	-	-
Advances	2,246,653	-	-	-	-
Other assets	848,210	-	-	-	-
	16,375,219	-	-	-	-
	16,375,219	-	185,845	-	185,845

**27 Segment details with respect to business activities**

**For the half year ended June 30, 2021 (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	164,583	294,958	-	-	459,541
Non mark-up/return/interest income	334	3,151	8,711	2,943	15,139
Total Income	164,917	298,109	8,711	2,943	474,680
Segment direct expenses	56,439	209,708	2,981	1,007	270,135
Total expenses	56,439	209,708	2,981	1,007	270,135
Provisions charged / (reversal)	14,964	(126)	-	-	14,838
Profit before tax	93,514	88,527	5,730	1,936	189,707



# Statement of financial position

Cash & bank balances  
Investments  
Advances - performing  
- non-performing  
- provision

Operating fixed assets  
Deferred tax asset  
Others

## Total assets

Bills payable  
Deposits & other accounts  
Lease liability  
Others

## Total liabilities

Equity  
Total equity & liabilities

## Contingencies & Commitments

# Profit and loss account

Net mark-up/return/profit  
Non mark-up/return/interest income  
Total Income  
Segment direct expenses  
Total expenses  
Provisions (reversal)  
Profit before tax

# Statement of financial Position

Cash & Bank balances  
Investments  
Advances - performing  
- non-performing  
- provision

Operating fixed assets  
Deferred tax asset  
Others

## Total assets

Bills payable  
Deposits & other accounts  
Liabilities against assets subject to  
finance lease  
Others

## Total liabilities

Equity  
Total equity & liabilities

## Contingencies & commitments

As at June 30, 2021 (Un-audited)

Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000				
-	20,465,878	-	-	20,465,878
-	196,808	-	-	196,808
2,339,689	265,651	-	-	2,605,340
46,040	151,044	-	-	197,084
(107,974)	(110,203)	-	-	(218,177)
2,277,755	306,492	-	-	2,584,247
45,468	168,944	2,402	811	217,625
-	24,900	-	-	24,900
668,850	156,898	598	202	826,548
5,269,828	21,626,412	3,000	1,013	24,316,006
-	27,227	-	-	27,227
-	17,796,949	-	-	17,796,949
26,086	96,927	1,378	465	124,856
99,421	958,030	100	34	1,057,585
125,507	18,879,133	1,478	499	19,006,617
5,144,321	2,747,279	1,522	514	5,309,389
5,269,828	21,626,412	3,000	1,013	24,316,006
73,139	59,003	-	-	132,142

For the half year ended June 30, 2020 (Un-audited)

Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000				
109,003	695,432	-	-	804,435
90	2,512	4,941	2,438	9,981
109,093	697,944	4,941	2,438	814,416
33,238	610,808	1,506	742	646,294
33,238	610,808	1,506	742	646,294
11,572	5,939	-	-	17,511
64,283	81,197	3,435	1,696	150,611

As at December 31, 2020 (Audited)

Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000				
-	13,280,356	-	-	13,280,356
-	185,845	-	-	185,845
1,844,384	395,751	-	-	2,240,135
172,783	37,074	-	-	209,857
(167,416)	(35,923)	-	-	(203,339)
1,849,751	396,902	-	-	2,246,653
34,137	193,107	2,090	691	230,026
3,919	22,169	240	79	26,407
693,616	156,398	85	28	850,127
2,581,423	14,234,777	2,415	798	16,819,414
-	67,414	-	-	67,414
-	13,700,340	-	-	13,700,340
19,725	111,579	1,208	399	132,911
24,878	348,660	160,614	7	534,159
44,603	14,227,993	161,822	406	14,434,824
2,536,820	6,784	(159,407)	393	2,384,590
2,581,423	14,234,777	2,415	799	16,819,414
32,319	96,483	14,601	-	143,403

## 28 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, 2021			(Audited) December 31, 2020		
	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	-	-	32,503	-	210,992	39,176
Additions / (decrease) during the period / year	-	-	14,068	-	(210,992)	(6,673)
Closing balance	-	-	46,571	-	-	32,503
Provision held against advances	-	-	-	-	-	-
<b>Other assets</b>	-	-	-	-	-	-
<b>Deposits and other accounts</b>						
Opening balance	-	5,439,545	663	-	4,542,797	9,301
Received / (withdrawn) during the period / year	-	2,459,069	4,508	-	896,748	(8,638)
Closing balance	-	7,898,614	5,171	-	5,439,545	663
<b>Other Liabilities</b>						
Interest / mark-up payable	-	84,035	-	-	70,907	-

## RELATED PARTY TRANSACTIONS

	(Un-audited) For the half year ended June 30, 2021			(Un-audited) For the half year ended June 30, 2020		
	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	-	-	949	-	2,329	856
<b>Expense</b>						
Mark-up / return / interest paid	-	161,908	77	-	106,477	17
Directors' fees and allowances	1,497	-	-	1,760	-	-
	1,497	161,908	77	1,760	106,477	17



29 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)  
June 30, December 31,  
2021 2020  
-----Rupees in '000-----

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses)

10,000,000 10,000,000

**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)

5,314,714	2,397,041
-	-
(5,325)	(12,451)
5,309,389	2,384,590
70,683	55,719
5,380,072	2,440,309

**Risk Weighted Assets (RWAs):**

Credit Risk

Market Risk

Operational Risk

Total

7,859,791	6,234,069
382,966	371,690
1,306,582	1,227,059
9,549,339	7,832,818

Common Equity Tier 1 Capital Adequacy Ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

55.66%	30.60%
55.60%	30.44%
56.34%	31.15%

**Leverage Ratio (LR):**

Eligible Tier-1 Capital

Total Exposure

Leverage Ratio

5,309,389	2,384,590
24,448,148	16,692,817
22%	14%

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

20,465,878	13,280,356
3,600,448	3,948,564
568%	336%

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

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

20,092,452	9,819,306
11,008,547	7,749,991
183%	127%

30 GENERAL

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

31 DATE OF AUTHORISATION FOR ISSUE

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

31-08-2021



President/CEO



Chief Financial Officer



Director



Director



Director