

**Bank of Azad Jammu and Kashmir
Condensed Interim Financial Statements
For the period ended June 30, 2022**

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, 2022 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, 2022 and June 30, 2021 have not been reviewed by us, as we are required to review only cumulative figures for the half year ended June 30, 2022.



Chartered Accountants

Engagement Partner: Syed Asmatullah
Islamabad


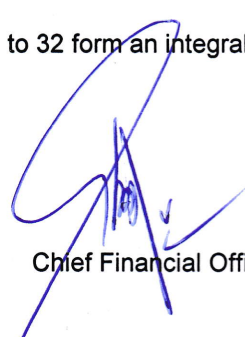

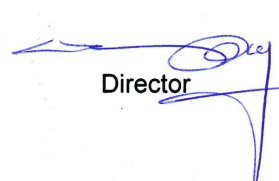

Date:

UDIN:

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

		(Un-audited)	(Audited)
	Note	June 30, 2022	December 31, 2021
-----Rupees in '000-----			
ASSETS			
Cash and balances with treasury banks	6	6,540,451	4,447,089
Balances with other banks	7	15,910,656	14,774,633
Lendings to financial institutions		-	-
Investments	8	175,469	183,775
Advances	9	3,074,294	2,815,313
Fixed assets	10	300,722	253,886
Intangible assets		-	-
Deferred tax assets	11	48,999	30,011
Other assets	12	1,336,709	1,046,611
		27,387,300	23,551,318
LIABILITIES			
Bills payable	13	37,400	158,180
Borrowings		-	-
Deposits and other accounts	14	20,763,083	17,270,623
Liabilities against assets subject to finance lease	15	148,630	138,519
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	821,145	563,110
		21,770,258	18,130,432
NET ASSETS		5,617,042	5,420,886
REPRESENTED BY			
Share capital		5,142,903	5,142,903
Reserves		308,875	269,037
Advance against issue of shares		-	-
Deficit on revaluation of assets	17	(16,833)	(13,797)
Unappropriated profit		182,097	22,743
		5,617,042	5,420,886
CONTINGENCIES AND COMMITMENTS	18		


The annexed notes 1 to 32 form an integral part of these condensed interim financial statements.

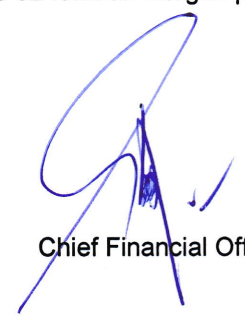
 President/CEO
  Chief Financial Officer
  Director
  Director
  Director
 ya.

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022


	Note	For the quarter ended June 30, 2022	For the quarter ended June 30, 2021	For the Half Year ended June 30, 2022	For the Half Year ended June 30, 2021
-----Rupees in '000 -----					
Mark-up / return / interest earned	19	744,185	362,925	1,340,256	774,209
Mark-up / return / interest expensed	20	294,042	160,141	549,603	314,668
Net mark-up/interest income		450,143	202,784	790,653	459,541
NON MARK-UP/INTEREST INCOME					
Fee and commission income	21	7,614	6,213	12,646	11,690
Dividend income		8,621	390	9,096	390
Other income	22	4,389	1,452	6,112	3,059
Total non-markup/interest Income		20,624	8,055	27,854	15,139
Total Income		470,767	210,839	818,507	474,680
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	23	260,688	139,819	409,845	270,135
Workers welfare fund		-	-	-	-
Other charges		-	-	-	-
Total non-markup/interest expenses		260,688	139,819	409,845	270,135
Profit before provisions		210,079	71,020	408,662	204,545
Provisions and write offs - net	24	10,477	7,596	24,950	14,838
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		199,602	63,424	383,712	189,707
Taxation	25	113,291	17,320	184,520	72,034
PROFIT AFTER TAXATION		86,311	46,104	199,192	117,673
-----Rupees-----					
					Restated
BASIC AND DILUTED EARNINGS PER SHARE	26	0.17	0.19	0.39	0.49


The annexed notes 1 to 32 form an integral part of these condensed interim financial statements.


President/CEO


Chief Financial Officer


Director


Director

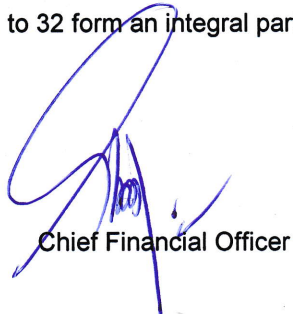

Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

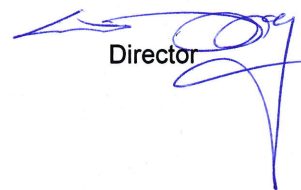
	For the quarter ended June 30, 2022	For the quarter ended June 30, 2021	For the Half Year ended June 30, 2022	For the Half Year ended June 30, 2021
-----Rupees in '000-----				
Profit after taxation for the period	86,311	46,104	199,192	117,673
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net	(8,886)	7,278	(8,306)	10,963
Related deferred tax	4,314	(2,547)	5,270	(3,837)
	(4,572)	4,731	(3,036)	7,126
Total comprehensive income	81,739	50,835	196,156	124,799

The annexed notes 1 to 32 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, 2022**

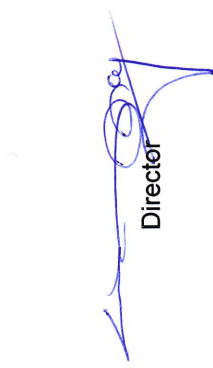
	Share capital	Advance against issue of shares	Surplus / (deficit) on revaluation of assets	Unappropriated profit	Statutory Reserve	Total
	-----Rupees in '000-----					
Balance as at January 01, 2021	2,129,911	-	(12,451)	267,130	-	2,384,590
Profit after taxation for the half year ended June 30, 2021	-	-	-	117,673	-	117,673
Other comprehensive income - net of tax	-	-	7,126	-	-	7,126
Transactions with owners, recorded directly in equity						
Advance against issue of shares	-	2,800,000	-	-	-	2,800,000
Balance as at July 01, 2021	2,129,911	2,800,000	(5,325)	384,803	-	5,309,389
Profit after taxation for the half year ended December 31, 2021	-	-	-	119,969	-	119,969
Other comprehensive income - net of tax	-	-	(8,472)	-	-	(8,472)
Transfer to statutory reserve	-	-	-	(269,037)	269,037	-
Transactions with owners, recorded directly in equity						
Issue of share capital	2,800,000	(2,800,000)	-	-	-	-
Issue of bonus shares	212,992	-	-	(212,992)	-	-
Balance as at December 31, 2021	5,142,903	-	(13,797)	22,743	269,037	5,420,886
Profit after taxation for the current period	-	-	-	199,192	-	199,192
Other comprehensive income - net of tax	-	-	(3,036)	-	-	(3,036)
Transfer to statutory reserve	-	-	-	(39,838)	39,838	-
Transactions with owners, recorded directly in equity						
	-	-	-	-	-	-
Balance as at June 30, 2022	5,142,903	-	(16,833)	182,097	308,875	5,617,042

The annexed notes 1 to 32 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, 2022

Note For the Half Year ended June 30, 2022 For the Half Year ended June 30, 2021

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

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation

383,712 189,707

Less: Dividend income

(9,096) 390

374,616 189,317

Adjustments:

Depreciation

13,324 10,832

Depreciation on right-of-use assets

15,974 14,886

Interest expense on lease liability

12,647 7,629

Provision against loans and advances

24,950 14,838

23

66,895 48,185

441,511 237,502

(Increase)/ decrease in operating assets

Advances

(283,931) (352,432)

Others assets (excluding advance taxation)

(290,098) 23,579

(574,029) (328,853)

Increase/ (decrease) in operating liabilities

Bills payable

(120,780) (40,187)

Deposits

3,492,460 4,096,609

Other liabilities (excluding current taxation)

157,318 496,800

3,528,998 4,553,222

Income tax paid

(97,521) (47,737)

Net cash flow generated from operating activities

3,298,959 4,414,134

CASH FLOW FROM INVESTING ACTIVITIES

Dividends received

9,096 390

Net proceeds from placement with banks

(5,825,320) 688,158

Investments in operating fixed assets

(47,146) (12,206)

Proceeds from sale of fixed assets

- -

Net cash flow (used in) / generating from investing activities

(5,863,370) 676,342

CASH FLOW FROM FINANCING ACTIVITIES

Advance received against issue of shares

- 2,800,000

Payment of lease liability against right-of-use assets

(31,524) (16,796)

Net cash flow (used in) / generated from financing activities

(31,524) 2,783,204

(Decrease)/Increase in cash and cash equivalents

(2,595,935) 7,873,680

Cash and cash equivalents at beginning of the period

11,200,353 10,733,323

Cash and cash equivalents at end of the period

8,604,418 18,607,003

5

The annexed notes 1 to 32 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, 2022

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 77 branches (December 2021: 77 branches; June 2021: 74 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.

2.3 Amendments to existing accounting and reporting standards that have become 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, 2022. These are considered either to not be relevant or not to have any significant impact on these condensed interim financial statements.

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 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.

There are various amendments to existing accounting and reporting standards as applicable in Pakistan that are not yet effective. These are not likely to have a material effect on the Bank's financial statements.

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, 2021.

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, 2021.

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, 2021.

5 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks
Balances with other banks

	(Un-audited) June 30, 2022	(Un-audited) June 30, 2021
Note	-----Rupees in '000-----	
	2,340,451	5,032,706
	6,263,967	13,574,297
5.1	<u>8,604,418</u>	<u>18,607,003</u>

- 5.1 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
2022 31, 2021
-----Rupees in '000-----

6 CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency 253,950 199,729

With National Bank of Pakistan in

Local currency current accounts

Local currency deposit account

Local currency term deposit accounts

6.1

6.2

373,233	36,676
613,268	40,684
5,300,000	4,170,000
6,286,501	4,247,360
-	-
6,540,451	4,447,089

Prize bonds

6.1 This represents deposit accounts carrying markup rates ranging from 9.5% to 12.25% (2021: 6.5% to 7.5%) per annum.

6.2 This represents term deposits carrying markup rates ranging from 10.2% to 14.85% (2021: 7.07% to 7.76%) per annum having maturities ranging from 3 months to 12 months.

7 BALANCES WITH OTHER BANKS

In Pakistan (Azad Jammu and Kashmir)

In current accounts

In deposit accounts

7.1

514,112	331,776
15,396,544	14,442,857
15,910,656	14,774,633

7.1 This represents savings deposit accounts amounting to Rs. 1,271,146 thousand (2021: 1,832,420 thousand) carrying markup rates ranging from 9% to 12.7% (2021: 6% to 8%) per annum and term deposits carrying markup rates ranging from 10.6% to 22.5% (2021: 6.7% to 20%) per annum having maturities ranging from 3 months to 3 years except for two term deposits amounting to Rs. 500,000 thousand and Rs. 1,200,00 thousand placed with a bank maturing in 2029 and 2032 respectively.

8 INVESTMENTS

8.1 type:

(Un-audited)				(Audited)			
June 30, 2022				December 31, 2021			
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 - (29,531) 175,469 205,000 - (21,225) 183,775

Held-to-maturity securities

Term finance certificates - note 8.2

49,940 (49,940) - - 49,940 (49,940) - -

Total

Investments

254,940 (49,940) (29,531) 175,469 254,940 (49,940) (21,225) 183,775

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	-----Rupees in '000-----	
8.2 Provision for diminution in value of investments		
8.2.1 Opening balance	49,940	49,940
Charge for the period / year	-	-
Closing balance	49,940	49,940

8.2.2 Particulars of provision against debt securities

Category of classification - Non Performing Investments (NPI)	(Un-audited) June 30, 2022		(Audited) December 31, 2021	
	-----Rupees in '000-----			
	NPI	Provision	NPI	Provision
Domestic				
Loss	49,940	49,940	49,940	49,940
Total	49,940	49,940	49,940	49,940

9 ADVANCES

	Performing		Non Performing		Total	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	-----Rupees in '000-----					
Loans, cash credits, running finances, etc.	3,143,203	2,866,660	144,127	136,739	3,287,330	3,003,399
Advances - gross	3,143,203	2,866,660	144,127	136,739	3,287,330	3,003,399
Provision against advances						
- Specific	-	-	(131,563)	(108,487)	(131,563)	(108,487)
- General	(81,473)	(79,599)	-	-	(81,473)	(79,599)
	(81,473)	(79,599)	(131,563)	(108,487)	(213,036)	(188,086)
Advances - net of provision	3,061,730	2,787,061	12,564	28,252	3,074,294	2,815,313

	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	-----Rupees in '000-----	
9.1 Particulars of advances (Gross)		
In local currency	3,287,330	3,003,399

9.2 Advances include Rs. 144,127 thousand (2021: 136,739 thousand) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-audited) June 30, 2022		(Audited) December 31, 2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	-----Rupees in '000-----			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	14,629	3,169	4,627	742
Doubtful	438	219	518	259
Loss	129,060	128,175	131,594	107,486
Total	144,127	131,563	136,739	108,487

9.3 Particulars of provision against advances	(Un-audited) June 30, 2022			(Audited) December 31, 2021		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
Opening balance	108,487	79,599	188,086	147,620	55,719	203,339
Charge for the period / year	35,390	1,874	37,264	37,669	23,880	61,549
Reversals	(12,314)	-	(12,314)	(24,586)	-	(24,586)
	23,076	1,874	24,950	13,083	23,880	36,963
Amounts charged off - agriculture financing	-	-	-	(52,216)	-	(52,216)
Closing balance	131,563	81,473	213,036	108,487	79,599	188,086

9.3.1 Particulars of provision against advances

	(Un-audited) June 30, 2022			(Audited) December 31, 2021		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
In local currency	131,563	81,473	213,036	108,487	79,599	188,086

- 9.3.2** The FSV benefit availed as at June 30, 2022 is Rs. 3,335 thousand (2021: Rs. 25,790 thousand). Had the FSV benefit not been availed, Bank's profit before and after tax would have been decreased by Rs. 3,335 thousand (2021: Rs. 23,740 thousand) and Rs. 1,700 thousand (2021: Rs. 15,730 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) June 30, 2022	(Audited) December 31, 2021
		-----Rupees in '000-----	
10 FIXED ASSETS			
Capital work-in-progress	10.1	19,556	10,436
Property and equipment	10.2, 10.3	281,166	243,450
		300,722	253,886
10.1 Capital work-in-progress			
Advances to suppliers		19,556	8,101

- 10.1.1** This represents advances to suppliers in respect of purchase of vehicles amounting to Rs. 10,400 thousand and purchase of office equipment, computers and furniture amounting Rs. 9,100 thousand for new branches to be opened.

- 10.2** This includes right-of-use assets amounting to Rs. 133,114 thousand (2021 : 120,100 thousand).

		(Un-audited) June 30, 2022	(Un-audited) June 30, 2021
		-----Rupees in '000-----	
10.3 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		9,120	-
Property and equipment			
Freehold land	10.3.1	28,685	-
Leasehold Improvements		1,444	732
Furniture and fixture		2,265	2,355
Computer equipments		4,367	3,405
Vehicles		-	7,882
Electrical office and computer equipment		1,265	1,544
		38,026	15,918
Right-of-use assets		28,988	2,012
Total		76,134	17,930

- 10.3.1** The land measuring 1 Kanal has been purchased in sub sector F-2 of Mirpur city. The plot is purchased for the purpose of construction of regional office.

	(Un-audited) June 30, 2022	(Un-audited) June 30, 2021
	-----Rupees in '000-----	
11 DEFERRED TAX ASSETS		
Taxable temporary differences on :		
- Accelerated tax depreciation	(34,930)	(31,035)
Deductible temporary differences on :		
-Provision against receivable from Kashmir Council	2,070	1,685
-Provision against customer claims	3,793	3,101
-Deficit on revaluation of investments	12,698	7,428
-Lease liability against right of used assets	63,911	48,482
- Provision against non-performing advances	1,457	350
Net deferred tax asset	48,999	30,011

12 OTHER ASSETS		
Income/ mark-up accrued in local currency - net of provision	1,243,082	1,040,052
Branch adjustment account	33,662	-
Advances, deposits, advance rent and other prepayments	7,950	419
Stationery and stamps in hand	7,482	4,322
Others	49,348	6,633
	1,341,524	1,051,426
Less: Provision held against other assets	(4,815)	(4,815)
Other assets - net of provision	1,336,709	1,046,611

(Un-audited) Audited
June 30, December 31,
2022 2021
-----Rupees in '000-----

12.1 Provision held against other assets

Receivable from Kashmir Council

4,815 4,815

13 BILLS PAYABLE

In Pakistan

37,400 158,180

14 DEPOSITS AND OTHER ACCOUNTS

(Un-audited)			Audited		
June 30, 2022			December 31, 2021		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total

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

Customers

Current deposits

6,869,105 - 6,869,105 5,004,027 - 5,004,027

Savings deposits

9,245,153 - 9,245,153 8,090,461 - 8,090,461

Term deposits

4,437,744 - 4,437,744 4,062,072 - 4,062,072

Others

211,081 - 211,081 114,063 - 114,063

20,762,883 - 20,762,883 17,270,523 - 17,270,523

(Un-audited) Audited
June 30, December 31,
2022 2021
-----Rupees in '000-----

15 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Lease liabilities included in the statement of financial position

148,630 138,519

of which are:

Less than one year

39,002 36,349

One to five years

101,994 87,110

More than five years

7,634 15,060

148,630 138,519

Maturity analysis - contractual undiscounted cash flows

Less than one year

41,569 37,586

One to five years

148,821 122,234

More than five years

24,065 31,910

Total undiscounted lease liabilities

214,455 191,730

16 OTHER LIABILITIES

Mark-up/ return/ interest payable in local currency

16.1

430,469 247,452

Accrued expenses

3,990 4,149

Income tax payable

165,652 64,935

Branch adjustment account

- 102,067

Provision for bonus to employees

13,011 24,001

Provision against customer claims

8,821 8,861

Leave encashment

82,242 48,242

Education cess

38,273 19,186

Others

78,687 44,217

821,145 563,110

16.1 It includes an amount of Rs. 143,360 thousand (2021: Rs. 100,571 thousand) on account of interest payable to related parties .

(Un-audited) Audited
June 30, December 31,
2022 2021
-----Rupees in '000-----

17 DEFICIT ON REVALUATION OF ASSETS

Deficit on revaluation of

- Available for sale securities

8.1 (29,531) (21,225)

Deferred tax on deficit on revaluation of:

- Available for sale securities

12,698 7,428

(16,833) (13,797)

18 CONTINGENCIES AND COMMITMENTS

-Guarantees

18.1 33,662 19,586

-Commitments

18.2 109,693 52,484

-Bills for collection

18.3 26,102 58,235

169,457 130,305

18.1 Guarantees:

Financial guarantees

33,662 19,586

18.2 Commitments:

Loan sanctioned but not disbursed

49,088 23,153

Unavailed running finance

60,605 29,331

109,693 52,484

18.3 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 For the Half
Year ended Year ended
June 30, June 30, 2021
2022

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

19 MARK-UP / RETURN / INTEREST EARNED

On:

a) Loans and advances

222,404 184,687

b) Balances with banks

1,117,852 589,522

1,340,256 774,209

20 MARK-UP/RETURN/INTEREST EXPENSED

On:

a) Deposits

536,956 307,039

b) Liabilities against assets subject to finance lease

12,647 7,629

549,603 314,668

21 FEE & COMMISSION INCOME

Branch banking customer fees

1,569 1,714

Commission on cheque books

2,377 2,522

Credit related fees

2,702 3,007

Commission on guarantees

520 358

Commission on remittances

853 613

Commission on insurance

1,257 474

Commission on utility bills

2,924 2,469

Postages charges

321 355

Others

123 178

12,646 11,690

-----Unaudited-----

	For the Half Year ended June 30, 2022	For the Half Year ended June 30, 2021
--	---	---

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

22 OTHER INCOME

Gain on sale of fixed assets	-	175
Site visits and fee collection charges	3,402	2,880
Write offs recovered	2,575	-
Other income	135	4
	6,112	3,059

23 OPERATING EXPENSES

Total compensation expense	265,985	173,411
----------------------------	---------	---------

Property expense

Rent & taxes	-	31
Insurance	-	2,031
Utilities cost	14,721	9,530
Security (including guards)	16,789	15,447
Repair & maintenance (including janitorial charges)	6,202	3,948
Depreciation on right-of-use assets	15,974	14,886
Depreciation on owned fixed assets	3,883	3,685
	57,569	49,558

Information technology expenses

Software maintenance	10,635	7,260
Hardware maintenance	1,328	1,031
Depreciation	3,564	2,690
Network charges	3,800	3,589
	19,327	14,570

Other operating expenses

Directors' fees and allowances	1,293	1,497
Legal & professional charges	325	1,788
Travelling & conveyance	7,435	5,649
Depreciation	5,877	4,457
Entertainment	7,916	5,248
Donation	-	1,136
Training and development	2,945	61
Postage & courier charges	1,987	1,699
Communication	2,102	1,981
Stationery & printing	5,824	3,838
Marketing, advertisement & publicity	1,034	156
Auditors' remuneration	1,331	1,194
Education cess	19,824	-
Others	9,071	3,892
	66,964	32,596
	409,845	270,135

24 PROVISIONS & WRITE OFFS - NET

Charge of provisions against loans & advances - net	24,950	14,838
---	--------	--------

25 TAXATION

Current	198,238	74,363
Deferred	(13,718)	(2,329)
	184,520	72,034

26 EARNINGS PER SHARE

Profit for the period	199,192	117,673
-----------------------	---------	---------

Weighted average number of ordinary shares

-----Number-----
514,290,320 240,410,539

Basic and diluted earnings per share

-----Rupees-----
0.39 0.49

27 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.

27.1 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, 2022 (Un-Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	-----Rupees in '000-----				
Financial assets - measured at fair value					
Investments					
Mutual Fund	-	175,469	-	-	175,469
	-	175,469	-	-	175,469
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	6,540,451	-	-	-	6,540,451
Balances with other banks	15,910,656	-	-	-	15,910,656
Advances	3,074,294	-	-	-	3,074,294
Other assets	1,292,430	-	-	-	1,292,430
	26,817,831	-	-	-	26,817,831
	26,817,831	175,469	-	-	26,993,300
December 31, 2021 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	-----Rupees in '000-----				
Financial assets - measured at fair value					
Investments					
Mutual Fund	-	183,775	-	-	183,775
	-	183,775	-	-	183,775
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	4,447,089	-	-	-	4,447,089
Balances with other banks	14,774,633	-	-	-	14,774,633
Advances	2,815,313	-	-	-	2,815,313
Other assets	1,046,685	-	-	-	1,046,685
	23,083,720	-	-	-	23,083,720
	23,083,720	183,775	-	-	23,267,495

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

Profit and loss account

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
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
Total Income	201,272	604,364	8,465	4,406	818,507
Segment direct expenses	60,295	345,694	2,536	1,320	409,845
Total expenses	60,295	345,694	2,536	1,320	409,845
Provisions charged / (reversal)	1,874	23,076	-	-	24,950
Profit before tax	139,103	235,594	5,929	3,086	383,712

As at June 30, 2022 (Un-audited)

Statement of financial position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
Cash & bank balances	-	22,451,107	-	-	22,451,107
Investments	-	175,469	-	-	175,469
Advances - performing	2,716,661	426,542	-	-	3,143,203
- non-performing	54,060	90,067	-	-	144,127
- provision	(121,846)	(91,190)	-	-	(213,036)
	2,648,875	425,419	-	-	3,074,294
Operating fixed assets	44,240	253,652	1,861	969	300,722
Deferred tax asset	7,209	41,329	303	158	48,999
Others	1,056,552	245,931	34,033	193	1,336,709
Total assets	3,756,876	23,592,907	36,197	1,320	27,387,300
Bills payable	-	37,400	-	-	37,400
Deposits & other accounts	-	20,763,083	-	-	20,763,083
Lease liability	21,866	125,366	920	478	148,630
Others	53,591	767,019	516	19	821,145
Total liabilities	75,457	21,692,868	1,436	497	21,770,258
Equity	3,681,419	1,900,039	34,761	823	5,617,042
Total equity & liabilities	3,756,876	23,592,907	36,197	1,320	27,387,300
Contingencies & Commitments	49,088	60,605	26,102	33,662	169,457

For the half year ended June 30, 2021 (Un-audited)

Profit and loss account

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
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 (reversal)	14,964	(126)	-	-	14,838
Profit before tax	93,514	88,527	5,730	1,936	189,707

As at December 31, 2021 (Audited)

Statement of financial Position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	-----Rupees in '000-----				
Cash & Bank balances	-	19,221,722	-	-	19,221,722
Investments	-	183,775	-	-	183,775
Advances - performing	2,640,261	226,399	-	-	2,866,660
- non-performing	41,238	95,501	-	-	136,739
- provision	(116,753)	(71,333)	-	-	(188,086)
	2,564,746	250,567	-	-	2,815,313
Operating fixed assets	52,677	197,615	2,477	1,117	253,886
Deferred tax asset	6,227	23,359	293	132	30,011
Others	929,941	116,577	64	29	1,046,611
Total assets	3,553,591	19,993,615	2,834	1,278	23,551,318
Bills payable	-	158,180	-	-	158,180
Deposits & other accounts	-	17,270,623	-	-	17,270,623
Liabilities against assets subject to finance lease	28,740	107,818	1,351	610	138,519
Others	32,228	428,777	102,093	12	563,110
Total liabilities	60,968	17,965,398	103,444	622	18,130,432
Equity	3,492,623	2,028,217	(100,610)	656	5,420,886
Total equity & liabilities	3,553,591	19,993,615	2,834	1,278	23,551,318
Contingencies & commitments	23,153	29,331	58,235	19,586	130,305

29 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, 2022			(Audited) December 31, 2021		
	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					
Advances						
Opening balance	-	-	61,031	-	-	32,503
Additions / (decrease) during the period / year	-	-	17,784	-	-	28,528
Closing balance	-	-	78,815	-	-	61,031
Provision held against advances	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Deposits and other accounts						
Opening balance	-	8,332,479	4,384	-	5,439,545	663
Received / (withdrawn) during the period / year	-	1,130,800	(703)	-	2,892,934	3,721
Closing balance	-	9,463,279	3,681	-	8,332,479	4,384
Other Liabilities						
Interest / mark-up payable	-	143,360	-	-	100,571	-

RELATED PARTY TRANSACTIONS

	(Un-audited) For the half year ended June 30, 2022			(Un-audited) For the half year ended June 30, 2021		
	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)					
Income						
Mark-up / return / interest earned	-	-	991	-	-	949
Expense						
Mark-up / return / interest paid	-	93,757	92	-	161,908	77
Directors' fees and allowances	1,293	-	-	1,497	-	-
	1,293	93,757	92	1,497	161,908	77

30 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

(Un-audited) (Audited)
June 30, December 31,
2022 2021
-----Rupees in '000-----

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)

5,633,875	5,165,646
-	-
-	-
5,633,875	5,165,646
64,640	65,802
5,698,515	5,231,448

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

10,952,531	8,697,335
438,673	459,438
1,061,483	1,517,260
12,452,687	10,674,032

Common Equity Tier 1 Capital Adequacy Ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

45.24% 48.39%

45.24% 48.39%

45.76% 49.01%

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposure

Leverage Ratio

5,633,875 5,165,646

27,556,757 23,681,623

20% 22%

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, 2022 stood at Rs.5,143 million (2021: 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.

In order to dampen the effects of COVID-19, the State Bank of Pakistan under BPRD Circular Letter No. 12 of 2020 has given a regulatory relief and reduced the Capital Conservation Buffer (CCB) as prescribed vide BPRD Circular No. 6 of August 15, 2013, for the time being, from its existing level of 2.50% to 1.50%, till further instructions.

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, 2022.

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 mitigants are applied against the Bank's exposures based on eligible collateral under comprehensive approach.

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

22,451,107 19,221,722

10,129,564 5,953,917

222% 323%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

14,226,834 13,209,976

11,834,435 10,970,802

120% 120%

31 **GENERAL**

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

32 **DATE OF AUTHORISATION FOR ISSUE**

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

28-11-2022

ya.



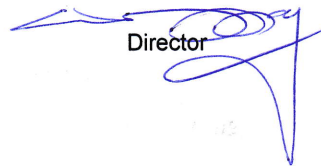
President/CEO



Chief Financial Officer



Director



Director



Director