

THE BANK OF AZAD JAMMU AND KASHMIR

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019**

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF THE BANK OF AZAD JAMMU AND KASHMIR ON 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, 2019 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. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2019 and June 30, 2018 have not been reviewed by us, as we are required to review only cumulative figures for the half year ended June 30, 2019.

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.


Chartered Accountants

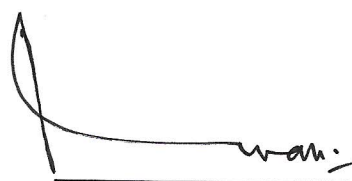
Engagement Partner: Shahzad Ali

Date: August 21, 2019
Islamabad


THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019


		(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	5	2,942,320	2,305,587
Balances with other banks	6	7,490,466	7,101,072
Lendings to financial institutions		-	-
Investments	7	161,161	175,869
Advances	8	2,084,886	2,028,938
Fixed assets	9	200,377	130,195
Intangible assets		-	-
Deferred tax assets	10	27,495	20,930
Other assets	11	664,095	648,751
		13,570,800	12,411,342
LIABILITIES			
Bills payable	12	90,589	19,582
Borrowings		-	-
Deposits and other accounts	13	11,984,567	11,063,203
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	14	336,997	174,969
		12,412,153	11,257,754
NET ASSETS		1,158,647	1,153,588
REPRESENTED BY			
Share capital		1,027,192	933,811
Reserves		-	-
Deficit on revaluation of assets	15	(28,495)	(18,935)
Unappropriated profit		159,950	238,712
		1,158,647	1,153,588
CONTINGENCIES AND COMMITMENTS			
	16		

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


 President/Chief Executive


 Chief Financial Officer


 Director

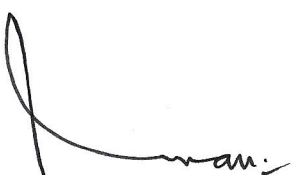

 Director


 Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

		For the quarter ended June 30, 2019	For the quarter ended June 30, 2018	For the Half Year ended June 30, 2019	For the Half Year ended June 30, 2018
Note		Rupees in '000			
Mark-up / return / interest earned	17	279,057	232,464	525,454	439,502
Mark-up / return / interest expensed	18	163,823	98,601	308,289	182,854
Net mark-up/interest income		115,234	133,863	217,165	256,648
NON MARK-UP/INTEREST INCOME					
Fee and commission income	19	2,744	4,373	6,407	8,285
Dividend income		-	-	1,443	-
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities	20	-	579	-	579
Other income	21	711	507	3,358	1,972
Total non-markup / interest Income		3,455	5,459	11,208	10,836
Total Income		118,689	139,322	228,373	267,484
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	22	117,297	101,730	216,034	196,455
Workers welfare fund		-	-	-	-
Other charges		-	-	-	-
Total non-markup/interest expenses		117,297	101,730	216,034	196,455
Profit before provisions		1,392	37,592	12,339	71,029
Provisions and write offs - net	23	(1,509)	4,688	(11,951)	10,182
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		2,901	32,904	24,290	60,847
Taxation	24	1,319	17,415	9,671	27,653
PROFIT AFTER TAXATION		1,582	15,489	14,619	33,194
BASIC AND DILUTED EARNINGS PER SHARE					
25		0.02	0.15	0.14	0.32

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President/Chief Executive


Chief Financial Officer


Director

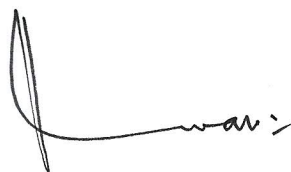

Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

	For the quarter ended June 30, 2019	For the quarter ended June 30, 2018	For the Half Year ended June 30, 2019	For the Half Year ended June 30, 2018
	----- (Rupees in '000) -----			
Profit after taxation for the period	1,582	15,489	14,619	33,194
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 of tax	(11,149)	1,777	(9,560)	1,777
Total comprehensive (loss) / income	(9,567)	17,266	5,059	34,971

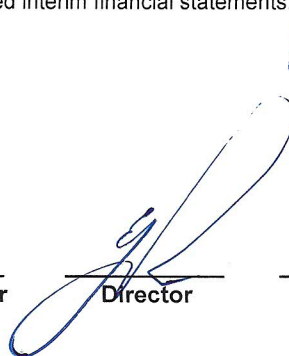
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President/Chief Executive



Chief Financial Officer



Director



Director

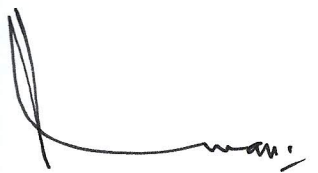


Director

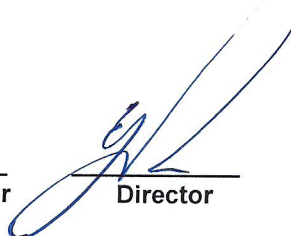
THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

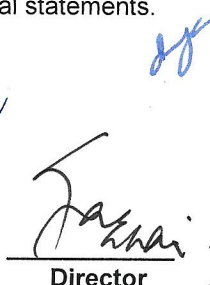
	Share capital	Surplus/(deficit) on revaluation of investments	Unappropriated profit	Total
	----- Rupees in '000 -----			
Balance as at January 01, 2018	848,919	(9,396)	223,711	1,063,234
Profit after taxation for the half year ended June 30, 2018	-	-	33,194	33,194
Other comprehensive income - net of tax	-	1,777	-	1,777
Transactions with owners, recorded directly in equity				
Issue of bonus shares	84,892	-	(84,892)	-
Balance as at July 01, 2018	<u>933,811</u>	<u>(7,619)</u>	<u>172,013</u>	<u>1,098,205</u>
Profit after taxation for the half year ended December 31, 2018	-	-	66,699	66,699
Other comprehensive income - net of tax	-	(11,316)	-	(11,316)
Balance as at January 01, 2019	<u>933,811</u>	<u>(18,935)</u>	<u>238,712</u>	<u>1,153,588</u>
Profit after taxation for the current period	-	-	14,619	14,619
Other comprehensive income - net of tax	-	(9,560)	-	(9,560)
Transactions with owners, recorded directly in equity				
Issue of bonus shares	93,381	-	(93,381)	-
Balance as at June 30, 2019	<u>1,027,192</u>	<u>(28,495)</u>	<u>159,950</u>	<u>1,158,647</u>

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


 President/Chief Executive


 Chief Financial Officer


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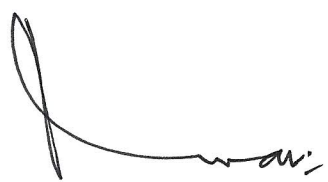

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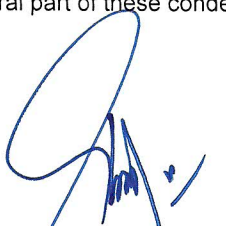

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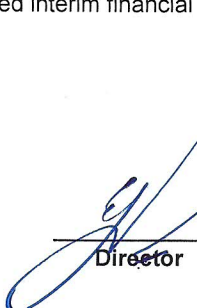
THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

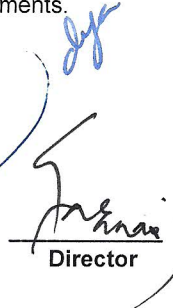
	Note	June 30, 2019 Rupees in '000	June 30, 2018 Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		24,290	60,847
Less: Dividend income		1,443	579
		<u>22,847</u>	<u>60,268</u>
Adjustments:			
Depreciation		13,145	11,119
Depreciation on right-of-use assets		13,436	
Interest expense on lease liability against right-of-use assets		5,098	
Provision and write-offs		(11,951)	10,182
(Gain) on sale of fixed assets	23	-	(2)
		<u>19,728</u>	<u>21,299</u>
		<u>42,575</u>	<u>81,567</u>
(Increase) / decrease in operating assets			
Advances		(43,997)	227,031
Others assets (excluding advance taxation)		19,339	(103,167)
		<u>(24,658)</u>	<u>123,864</u>
Increase/ (decrease) in operating liabilities			
Bills payable		71,007	(17,978)
Deposits		921,364	1,662,889
Other liabilities (excluding current taxation)		84,386	4,155
		<u>1,076,757</u>	<u>1,649,066</u>
Income tax paid		(54,254)	(84,994)
Net cash flow generated from operating activities		<u>1,040,420</u>	<u>1,769,503</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		-	579
Dividends received		1,443	-
Investments in operating fixed assets		(4,837)	(26,284)
Proceeds from sale of fixed assets		-	30
Net cash flow used in investing activities		<u>(3,394)</u>	<u>(25,675)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	-
Payment of lease liability against right-of-use assets		(10,899)	-
Dividend paid		-	-
Net cash flow used in financing activities		<u>(10,899)</u>	<u>-</u>
Increase in cash and cash equivalents		1,026,127	1,743,828
Cash and cash equivalents at beginning of the period		<u>9,406,659</u>	<u>7,504,179</u>
Cash and cash equivalents at end of the period		<u><u>10,432,786</u></u>	<u><u>9,248,007</u></u>

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


 President/Chief Executive


 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, 2019

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 the Bank's entire share capital at the year end.

The Bank has 70 branches (December 2018: 70 branches; June 2018: 68 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, 2019 are un-audited, and 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 Banks.

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 byelaws, the Banking Companies Ordinance, 1962 and the directives 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. 5, dated May 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, 2018.

2.3 Amendments to approved accounting standards that are effective in the current period

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 3.1.1 below.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2019. These are considered either not to be relevant or not to have any significant impact on the Bank's financial statements.

2.4 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
- IFRS 3, Business Combinations (Amendments)	January 1, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
	Effective date (annual periods ending on or after)
- IFRS 9, Financial Instruments	June 30, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered in preparation of these condensed interim financial statements.

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.

The Bank expects that adoption of the amendments in the remaining standards will not affect its financial statements in the period of initial application.

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, 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2018 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 During the period, IFRS 16 - Leases became applicable to the Banks. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered into by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 14.35% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	June 30, 2019	January 1, 2019
	Rupees in '000	
Total lease liability recognised	<u>67,896</u>	<u>73,097</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

	June 30, 2019	January 1, 2019
	Rupees in '000	
The recognised right-of-use assets relate to the following type of asset:		
Property	<u>78,490</u>	<u>86,582</u>

The effect of this change in accounting policy is as follows:

June 30, 2019 January 1, 2019
Rupees in '000

Impact on Statement of Financial Position

Increase in fixed assets - right-of-use assets	78,490	86,582
Decrease in other assets - advances, deposits, advance rent and other prepayments	(12,910)	(13,485)
Increase in other assets - advance taxation	903	-
Increase in total assets	66,483	73,097
Increase in other liabilities - lease liability against right-of-use assets	(67,896)	(73,097)
Decrease in net assets	(1,413)	-

Impact on Profit and Loss account

For the six
months ended
June 30, 2019
Rupees in '000

Increase in mark-up expense - lease liability against right-of-use assets	(5,098)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(13,436)
- Rent expense	16,218
Decrease in profit before tax	(2,316)
Decrease in tax	903
Decrease in profit after tax	(1,413)

Earnings per share for the six months ended June 30, 2019 are Rs 0.01 per share lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

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, 2018.

5 CASH AND BALANCES WITH TREASURY BANKS

(Un-audited) (Audited)
June 30, December
2019 31, 2018
Rupees in '000

In hand		
Local currency	139,069	118,620
With National Bank of Pakistan in		
Local currency current accounts	516,981	30,449
Local currency deposit account	226,260	95,234
Local currency Term deposit accounts	2,060,000	2,060,000
	2,803,241	2,185,683
Prize bonds	10	1,284
	2,942,320	2,305,587

6 BALANCES WITH OTHER BANKS

In Pakistan (Azad Jammu and Kashmir)
In current accounts
In deposit accounts

152,071	50,696
7,338,395	7,050,376
7,490,466	7,101,072

7 INVESTMENTS

7.1 Investments by type:

	(Un-audited)				(Audited)			
	June 30, 2019				December 31, 2018			
	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	-	(43,839)	161,161	205,000	-	(29,131)	175,869
Held-to-maturity securities								
Term finance certificates - note 7.2	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total Investments	254,940	(49,940)	(43,839)	161,161	254,940	(49,940)	(29,131)	175,869

(Un-audited) (Audited)
June 30, December
2019 31, 2018
Rupees in '000

7.2 Provision for diminution in value of investments

7.2.1 Opening balance	49,940	49,940
Charge for the period / year	-	-
Closing Balance	49,940	49,940

7.2.2 Particulars of provision against debt securities

Category of classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	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	
(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018

Rupees in '000

Loans, cash credits, running finances, etc.	2,000,972	1,936,543	232,258	252,690	2,233,230	2,189,233
Advances - gross	2,000,972	1,936,543	232,258	252,690	2,233,230	2,189,233

Provision against advances

- Specific	-	-	(106,698)	(112,203)	(106,698)	(112,203)
- General	(41,646)	(48,092)	-	-	(41,646)	(48,092)
	(41,646)	(48,092)	(106,698)	(112,203)	(148,344)	(160,295)

Advances - net of provision	1,959,326	1,888,451	125,560	140,487	2,084,886	2,028,938
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8.1 Particulars of advances (Gross)

In local currency	2,233,230	2,189,233
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8.2 Advances include Rs. 232,258 thousand (2018: 252,690 thousand) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Rupees in '000				
Domestic				
Other Assets Especially Mentioned	43,407	907	37,792	-
Substandard	21,853	5,056	43,468	8,586
Doubtful	12,875	6,403	17,936	7,706
Loss	154,123	94,332	153,494	95,911
Total	232,258	106,698	252,690	112,203

8.3 Particulars of provision against advances

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	112,203	48,092	160,295	122,169	44,538	166,707
Charge for the period / year	5,781	3,038	8,819	21,397	3,554	24,951
Reversals	(11,286)	(9,484)	(20,770)	(31,363)	-	(31,363)
	(5,505)	(6,446)	(11,951)	(9,966)	3,554	(6,412)
Closing balance	106,698	41,646	148,344	112,203	48,092	160,295

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
9	FIXED ASSETS		
	Capital work-in-progress	9.1 1,748	1,234
	Property and equipment	9.2 198,629	128,961
		<u>200,377</u>	<u>130,195</u>

9.1 Capital work-in-progress

Advances to suppliers

1,748 1,234

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. 78,490 thousand (2018: Nil) due to adoption of IFRS 16 as detailed in note 3.1.1.

		For the half year ended June 30, 2019	For the half year ended June 30, 2018
		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

514

Property and equipment

Leasehold Improvements

Furniture and fixture

Electrical office and computer equipment

665	13,479
921	9,606
2,737	3,199
4,323	26,284

Right-of-use assets

86,582

Total

91,419 26,284

10 DEFERRED TAX ASSETS

Deductible Temporary Differences on

- Tax depreciation

- Provision against receivable from Kashmir Council

- Provision against customer claims

- Deficit on revaluation of investments

7,366	5,738
1,685	1,685
3,101	3,311
15,343	10,196
27,495	20,930

Net deferred tax assets

27,495 20,930

11 OTHER ASSETS

Income/ mark-up accrued in local currency - net of provision - note 11.1

Advances, deposits, advance rent and other prepayments

Advance taxation (payments less provisions)

Branch adjustment account

Stationery and stamps in hand

Others

(Un-audited) June 30, 2019	Audited December 31, 2018
Rupees in '000	

570,199 609,382

4,171 14,803

34,683 -

28,590 14,687

4,352 4,200

26,915 10,494

668,910 653,566

(4,815) (4,815)

664,095 648,751

Less: Provision held against other assets

Other Assets (Net of Provision)

11.2

11.1 This includes an amount of Rs. 1,649 thousand (2018: Rs. 1,874 thousand) on account of interest receivable from a related party.

11.2 Provision held against other assets

Receivable from Kashmir Council

4,815 4,815

(Un-audited) Audited
June 30, December
2019 31, 2018
Rupees in '000

12 BILLS PAYABLE

In Pakistan

90,589 19,582

13 DEPOSITS AND OTHER ACCOUNTS

(Un-audited)			Audited		
June 30, 2019			December 31, 2018		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000					
Customers					
Current deposits	3,057,693	-	3,057,693	2,558,831	-
Savings deposits	5,909,699	-	5,909,699	5,553,347	-
Term deposits	2,854,709	-	2,854,709	2,828,559	-
Call deposits	153,342	-	153,342	113,982	-
Others	9,124	-	9,124	8,484	-
	11,984,567	-	11,984,567	11,063,203	-

(Un-audited) Audited
June 30, December
2019 31, 2018
Rupees in '000

14 OTHER LIABILITIES

Mark-up/ return/ interest payable in local currency - note 14.1
Accrued expenses
Current taxation (provisions less payments)
Branch adjustment account
Provision for bonus to employees
Provision against customer claims
Leave encashment
Education cess
Lease liability against right-of-use assets
Others

172,156 82,339
2,401 2,945
- 8,482
- -
15,397 15,000
8,861 9,461
27,500 21,000
6,856 6,784
67,896 -
35,930 28,958
336,997 174,969

14.1 It includes an amount of Rs. 33,997 thousand (2018: Rs. 36,363 thousand) on account of interest payable to related parties .

(Un-audited) Audited
June 30, December
2019 31, 2018
Rupees in '000

15 DEFICIT ON REVALUATION OF ASSETS

Deficit on revaluation of
- Available for sale securities

Note 7.1 (43,839) (29,131)

Deferred tax on surplus / (deficit) on revaluation of:
- Available for sale securities

15,344 10,196
(28,495) (18,935)

16 CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Bills for collection

16.1 24,381 16,779
16.2 318,596 421,814
16.3 29,771 52,342
372,748 490,935

16.1 Guarantees:

Financial guarantees	24,381	16,779
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June 30, December
2019 31, 2018
Rupees in '000

16.2 Commitments:

Loan sanctioned but not disbursed	16,593	13,501
Unavailed running finance	302,003	284,579
Operating leases - 16.2.1	-	123,734
	<u>318,596</u>	<u>421,814</u>

16.2.1 Commitments in respect of operating leases

Not later than one year	-	25,093
Later than one year and not later than five years	-	73,646
Later than five years	-	24,995
	-	<u>123,734</u>

16.3 Bills for collection

Bills for collection represent bills drawn in favour 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.

For the half year ended June 30, 2019	For the half year ended June 30, 2018
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Rupees in '000

17 MARK-UP / RETURN / INTEREST EARNED

On:

a) Loans and advances	142,588	165,298
b) Investment	-	11,936
c) Balances with banks	382,866	262,268
	<u>525,454</u>	<u>439,502</u>

18 MARK-UP/RETURN/INTEREST EXPENSED

On:

a) Deposits	303,191	182,854
b) Lease liability against right-of-use- assets	5,098	-
	<u>308,289</u>	<u>182,854</u>

19 FEE & COMMISSION INCOME

Branch banking customer fees	994	1,031
Commission on cheques books	1,796	1,533
Credit related fees	430	2,451
Commission on guarantees	288	294
Commission on remittances including home remittances	261	476
Commission on call deposit	2	83
Commission on utility bills	2,296	2,080
Postages charges	235	246
Others	105	91
	<u>6,407</u>	<u>8,285</u>

20 GAIN / (LOSS) ON SECURITIES

Realised	20.1	-	579
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20.1 Realised gain on:

Mutual Fund Units	-	579
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21 OTHER INCOME

Site visits and fee collection charges	3,358	1,972
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		For the half year ended June 30, 2019	For the half year ended June 30, 2018
		Rupees in '000	
22	OPERATING EXPENSES		
	Total compensation expense	133,806	117,281
	Property expense		
	Rent & taxes	40	15,051
	Insurance	931	904
	Utilities cost	8,674	6,311
	Security (including guards)	11,241	11,441
	Repair & maintenance (including janitorial charges)	3,125	5,335
	Depreciation on right-of-use assets	13,436	-
	Depreciation on owned fixed assets	4,348	2,819
		41,795	41,861
	Information technology expenses		
	Software maintenance	5,593	3,639
	Hardware maintenance	786	722
	Depreciation	3,383	3,331
	Network charges	2,752	2,242
		12,514	9,934
	Other operating expenses		
	Directors' fees and allowances	1,098	1,366
	Legal & professional charges	1,125	319
	Travelling & conveyance	4,464	3,356
	Depreciation	5,414	4,969
	Entertainment	4,273	4,070
	Training & development	783	210
	Postage & courier charges	1,503	1,264
	Communication	1,888	1,668
	Stationery & printing	2,082	4,153
	Marketing, advertisement & publicity	619	493
	Auditors Remuneration	1,040	990
	Others	3,630	4,521
		27,919	27,379
		216,034	196,455
23	PROVISIONS & WRITE OFFS - NET		
	(Reversal)/Charge of provisions against loans & advances - net	8.3 (11,951)	10,182
24	TAXATION		
	Current	11,089	24,089
	Deferred	(1,418)	3,564
		9,671	27,653
25	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	14,619	33,194
	Weighted average number of ordinary shares (Number)	102,719	102,719
	Basic and diluted earnings per share (Rupees)	0.14	0.32

26 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 less impairment. The fair value of unquoted equity securities 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.

26.1 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 categorised:

(Un-Audited) June 30, 2019				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Mutual Fund	161,161	-	-	161,161
(Audited) December 31, 2018				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Mutual Fund	175,869	-	-	175,869

27 Segment details with respect to business activities

Profit & Loss

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

For the half year ended June 30, 2019 (Un-audited)

Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000				
103,351	113,814	-	-	217,165
49	4,750	4,065	2,344	11,208
103,400	118,564	4,065	2,344	228,373
944	91,554	78,358	45,178	216,034
944	91,554	78,358	45,178	216,034
(5,505)	(6,446)	-	-	(11,951)
107,961	33,456	(74,293)	(42,834)	24,290

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
Others
Total liabilities
Equity
Total Equity & liabilities

As at June 30, 2019 (Un-audited)

Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000				
-	10,432,786	-	-	10,432,786
-	161,161	-	-	161,161
1,414,820	586,152	-	-	2,000,972
55,475	176,783	-	-	232,258
(83,682)	(64,662)	-	-	(148,344)
876	84,919	72,679	41,903	200,377
-	27,495	-	-	27,495
410	609,992	34,057	19,636	664,095
1,387,899	12,014,626	106,736	61,539	13,570,800
-	90,589	-	-	90,589
-	11,984,567	-	-	11,984,567
17,733	317,210	1,303	751	336,997
17,733	12,392,366	1,303	751	12,412,153
1,370,166	(377,740)	105,434	60,788	1,158,647
1,387,899	12,014,626	106,736	61,539	13,570,800

Contingencies & Commitments

238,580	134,168	372,748
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For the half year ended June 30, 2018 (Un-audited)

Profit & Loss

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

Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000				
115,283	141,365	-	-	256,648
73	1394	6130	3239	10,836
115,356	142,759	6,130	3,239	267,484
51,566	141,218	2,740	931	196,455
51,566	141,218	2,740	931	196,455
(3,179)	13,361	-	-	10,182
66,969	(11,820)	3,390	2,308	60,847

As at December 31, 2018 (Audited)

Statement of financial position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000					
Cash & Bank balances	-	9,406,659	-	-	9,406,659
Investments	-	175,869	-	-	175,869
Advances - performing	1,326,088	610,455	-	-	1,936,543
- non-performing	65,002	187,688	-	-	252,690
- provision	(116,098)	(44,197)	-	-	(160,295)
Operating fixed assets	27,196	100,957	1,461	581	130,195
Deferred tax asset	-	20,930	-	-	20,930
Others	18,062	629,333	970	386	648,751
Total Assets	1,320,250	11,087,694	2,431	967	12,411,342
Bills payable	-	19,582	-	-	19,582
Deposits & other accounts	-	11,063,203	-	-	11,063,203
Others	10,492	164,453	17	8	174,970
Total liabilities	10,492	11,247,238	17	8	11,257,755
Equity	1,309,758	(159,542)	2,414	959	1,153,589
Total Equity & liabilities	1,320,250	11,087,696	2,431	967	12,411,344
Contingencies & Commitments	12,601	354,600	-	-	367,201

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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 the 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 Banks 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, 2019		(Audited) December 31, 2018	
	Government of Azad Jammu & Kashmir and its related departments	Key management personnel	Government of Azad Jammu & Kashmir and its related departments	Key management personnel
----- (Rupees in '000) -----				
Statement of financial position				
Advances				
Opening balance	259,972	45,707	305,624	43,962
Addition during the period / year	-	-	-	9,994
Repaid during the period / year	(24,332)	(6,540)	(45,652)	(8,249)
Closing balance	235,640	39,167	259,972	45,707
Provision held against advances	-	-	-	-
Other Assets				
Interest / mark-up accrued	1,649	-	1,874	-
Deposits and other accounts				
Opening balance	5,068,975	10,840	4,650,389	5,915
Received during the period / year	-	-	418,586	4,925
Withdrawn during the period / year	(298,056)	(5,879)	-	-
Closing balance	4,770,919	4,961	5,068,975	10,840
Other Liabilities				
Interest / mark-up payable	33,954	43	36,270	93
Contingencies and Commitments				
Unavailed running finance	264,360	-	240,028	-

	(Un-audited) For the half year ended June 30, 2019		(Un-audited) For the half year ended June 30, 2018	
	Government of Azad Jammu & Kashmir and its related departments	Key management personnel	Government of Azad Jammu & Kashmir and its related departments	Key management personnel
----- (Rupees in '000) -----				
Profit & Loss				
Income				
Mark-up / return / interest earned	10,512	1,582	23,954	2,409
Expense				
Mark-up / return / interest paid	68,747	43	190,156	166

CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
June 30, 2019 December 31,
2018
Rupees in '000

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

1,027,192	933,811
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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)

1,187,142	1,172,523
-	-
(28,495)	(18,935)
1,158,647	1,153,588
41,646	48,092
1,200,293	1,201,680

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

5,086,530	4,647,890
322,322	351,738
997,622	1,000,989
6,406,474	6,000,617

Common Equity Tier 1 Capital Adequacy Ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

18.53%	19.54%
18.09%	19.22%
18.74%	20.03%

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposure

Leverage Ratio

1,158,647	1,153,588
2,270,428	2,221,586
51%	52%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

10,370,786	9,406,659
4,363,454	3,635,102
238%	259%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

10,802,934	9,979,049
6,741,970	5,408,918
160%	184%


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

21-Aug-2019
JF



President/Chief Executive



Chief Financial Officer



Director



Director



Director