

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016

		(Un-audited) June 30, 2016 (Rupees in '000)	(Audited) December 31, 2015
	Note		
ASSETS			
Cash and balances with treasury banks		1,162,650	873,616
Balances with other banks		2,898,715	3,144,100
Lendings to financial institutions		-	-
Investments	8	1,186,835	1,150,465
Advances	9	2,814,418	2,833,606
Operating fixed assets	10	123,260	125,283
Deferred tax asset	11	2,373	1,881
Other assets		490,264	326,479
		8,678,515	8,455,430
LIABILITIES			
Bills payable		10,617	7,634
Borrowings from financial institutions		-	-
Deposits and other accounts	12	7,598,619	7,440,877
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		116,750	117,642
		7,725,986	7,566,153
NET ASSETS		<u>952,529</u>	<u>889,277</u>
REPRESENTED BY:			
Share capital		785,977	785,977
Reserves		-	-
Unappropriated profit		158,929	94,519
		944,906	880,496
Surplus on revaluation of assets - net of tax		7,623	8,781
		<u>952,529</u>	<u>889,277</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

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P. Jula

Chairman

Managing Director



Director

Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

		June 30, 2016		June 30, 2015	
		For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	Note	(Rupees in '000)			
Mark-up / return / interest earned	14	211,646	414,994	198,057	402,995
Mark-up / return / interest expensed		83,850	174,742	90,144	189,095
Net mark-up / interest income		127,796	240,252	107,913	213,900
Provision against non-performing loans and advances		3,139	6,343	5,814	21,018
Provision for diminution in value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		3,139	6,343	5,814	21,018
Net mark-up / interest income after provisions		124,657	233,909	102,099	192,882
Non mark-up / interest income					
Fee, commission and brokerage income		4,992	9,365	5,774	11,042
Dividend income		11,643	11,643	(567)	1,390
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		-	-	-	-
Gain on sale of securities	15	-	4,270	-	-
Other income		3,333	4,242	919	1,814
Total non-markup / interest income		19,968	29,520	6,126	14,246
		144,625	263,429	108,225	207,128
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		87,607	155,799	66,855	130,362
Other provisions / write offs		-	-	-	-
Other charges		-	-	-	-
Total non-markup / interest expenses		87,607	155,799	66,855	130,362
		57,018	107,630	41,370	76,766
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		57,018	107,630	41,370	76,766
Taxation - Current		19,832	37,546	14,536	28,381
- Prior years		5,542	5,542	-	-
- Deferred		132	132	-	(524)
		25,506	43,220	14,536	27,857
Profit after taxation		31,512	64,410	26,834	48,909
Earning Per Share - Rupees		0.40	0.82	0.34	0.62

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Chairmar


Managing 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, 2016

	June 30, 2016		June 30, 2015	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	(Rupees in '000)			
Profit after taxation	31,512	64,410	26,834	48,909
Other comprehensive income				
Components of comprehensive income not reflected in equity				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Surplus / (defecit) on revaluation of available for sale securities	3,693	(1,782)	1,013	6,519
Deferred tax (expense) / credit for the period	(1,293)	624	(101)	(652)
	2,400	(1,158)	912	5,867
Total comprehensive income for the period	33,912	63,252	27,746	54,776

Surplus / (deficit) arising on revaluation of "Available for sale securities" are presented under a separate head below equity as "Surplus / (deficit) on revaluation of assets" in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August 4, 2000.

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



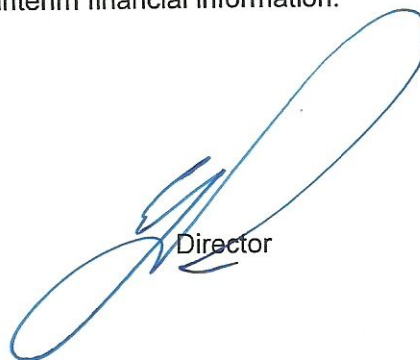
Chairman



Managing Director



Director




Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Share capital	Unappropriated profit	Total
	Rupees in '000		
Balance as at January 01, 2015 - (Audited)	654,981	155,350	810,331
<i>Total comprehensive income for the half year ended June 30, 2015</i>			
Net profit for the period	-	48,909	48,909
Other comprehensive income	-	-	-
	-	48,909	48,909
Balance as at June 30, 2015 (Un-audited)	654,981	204,259	859,240
<i>Total comprehensive income for the half year ended December 31, 2015</i>			
Net profit for the period	-	21,256	21,256
Other comprehensive income	-	-	-
	-	21,256	21,256
<i>Transaction with owners recorded directly in equity</i>			
Issue of bonus shares @ 20% of paid up capital	130,996	(130,996)	-
Balance as at December 31, 2015 (Audited)	785,977	94,519	880,496
<i>Total comprehensive income for the half year ended June 30, 2016</i>			
Net profit for the period	-	64,410	64,410
Other comprehensive income	-	-	-
	-	64,410	64,410
Balance as at June 30, 2016 - (Unaudited)	785,977	158,929	944,906

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

Chairman

Managing Director

Director


THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	June 30, 2016 (Rupees in '000)	June 30, 2015
Cash flow from operating activities		
Profit before taxation	107,630	76,766
Less: dividend income	11,643	1,390
	<u>95,987</u>	<u>75,376</u>
Adjustments:		
Depreciation	10,756	8,714
Provision against non-performing loans and advances	6,343	21,018
Gain on sale of operating fixed asset	(1,840)	(96)
Amortization of deferred government grant	-	(5)
	<u>15,259</u>	<u>29,631</u>
	111,246	105,007
(Increase) / decrease in operating assets		
Advances	12,845	(274,129)
Other assets (excluding advance taxation)	(163,785)	(29,482)
	<u>(150,940)</u>	<u>(303,611)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,983	3,269
Other liabilities (excluding current taxation)	22,854	(8,333)
Deposits and other accounts	157,742	564,683
	<u>183,579</u>	<u>559,619</u>
	143,885	361,015
Cash generated from operations		
Income tax paid	(66,834)	(27,407)
Net cash flow from operating activities	77,051	333,608
Cash flow from investing activities		
Investment in available for sale securities - net	(35,000)	(25,000)
Investment in held-to-maturity securities	(3,152)	(3,455)
Dividend income	11,643	1,390
Investment in operating fixed assets	(8,733)	(18,744)
Sale proceeds of operating fixed assets	1,840	96
Net cash used in investing activities	(33,402)	(45,713)
Cash flow from financing activities		
Increase in cash and cash equivalents	43,649	287,895
Cash and cash equivalents at beginning of the period	4,017,716	3,669,512
Cash and cash equivalents at end of the period	<u>4,061,365</u>	<u>3,957,407</u>


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The annexed notes 1 to 20 form an integral part of this condensed interim financial information.


Chairman


Managing 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, 2016.

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 64 branches (2015: 64 branches) in Azad Jammu and Kashmir.

2. BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

3. STATEMENT OF COMPLIANCE

This condensed interim financial information for the half year ended June 30, 2016 is un-audited and has been prepared in accordance with the International Accounting Standard 34, 'Interim Financial Reporting', the approved accounting standards as applicable in Pakistan for Banking Companies, the requirements of The Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and its Bye-Laws 2007 (Bye-Laws). Bye-Laws 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 and section 34 of the Banking Companies Ordinance, 1962.

SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instrument: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS 7), has not been made applicable for banks. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.


4. BASIS OF PRESENTATION

The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". This condensed interim financial information do not include all of the disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2015.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the Bank for the year ended December 31, 2015.

Amendments and interpretations to approved accounting standards effective from January 1, 2016 are not expected to have material impact on this condensed interim financial information.



6. ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Bank for the year December 31, 2015.

7. FINANCIAL RISK MANAGEMENT

The financial risk management objective and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2015.

8. INVESTMENTS	As at June 30, 2016			As at December 31, 2015		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
	(Rupees in '000)			(Rupees in '000)		
Available-for-sale securities						
Units of open end mutual funds	180,000	-	180,000	145,000	-	145,000
Held-to-maturity securities						
Pakistan Investment Bonds	995,107	-	995,107	991,955	-	991,955
Term Finance Certificates	49,940	-	49,940	49,940	-	49,940
	1,045,047	-	1,045,047	1,041,895	-	1,041,895
Investments at cost	1,225,047	-	1,225,047	1,186,895	-	1,186,895
Provision for diminution in value of investments	(49,940)	-	(49,940)	(49,940)	-	(49,940)
Investments (net of provision)	1,175,107	-	1,175,107	1,136,955	-	1,136,955
Surplus on revaluation of available for sale securities - net	11,728	-	11,728	13,510	-	13,510
	1,186,835	-	1,186,835	1,150,465	-	1,150,465

June 30, 2016 December 31, 2015
(Rupees in '000)

9. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan (Azad Jammu and Kashmir)	881,961	850,572
Running and demand finance	372,382	414,246
Agriculture finance loans	97,260	109,617
Micro finance loans	1,543,487	1,532,973
Consumer finance	76,534	77,061
Staff loans	2,971,624	2,984,469
Advances - gross		
Provision for non-performing loans and advances	(95,644)	(94,059)
Specific provision	(61,562)	(56,804)
General provision	(157,206)	(150,863)
Advances - net of provision	2,814,418	2,833,606

9.1 Particulars of provision against non-performing loans and advances

	June 30, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	94,059	56,804	150,863	57,245	47,060	104,305
Charge for the period / year	1,585	4,758	6,343	36,814	9,744	46,558
Closing balance	95,644	61,562	157,206	94,059	56,804	150,863

9.2 The Forced Sales Value (FSV) benefit already availed has been decreased by Rs 12.168 million, which has resulted in increased charge for specific provision for the period by the same amount. Had the FSV benefit not decreased, before and after tax profit for the period would have been higher by Rs 12.168 million (2015: lower by Rs 7.283 million) and Rs 7.909 million (2015: lower by Rs 4.734 million) respectively. Further, as at June 30, 2016, cumulative net of tax benefit availed for FSV was Rs. 49.979 million (December 2015: Rs. 57.888 million). Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

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- 9.3 Advances include Rs. 238.91 million (December 2015: Rs 240.22 million) which have been placed under non-performing status as detailed below:

Category of classification	As at June 30, 2016				
	Classified Advances			Provision	Provision
	Domestic	Overseas	Total	Required	held
	(Rupees in '000)				
Other Assets Especially					
Mentioned - note 9.4	35,791	-	35,791	-	-
Substandard	80,287	-	80,287	7,857	7,857
Doubtful	13,131	-	13,131	6,238	6,238
Loss	109,705	-	109,705	81,549	81,549
	<u>238,914</u>	<u>-</u>	<u>238,914</u>	<u>95,644</u>	<u>95,644</u>

Category of classification	As at December 31, 2015				
	Classified Advances			Provision	Provision
	Domestic	Overseas	Total	Required	held
	(Rupees in '000)				
Other Assets Especially					
Mentioned - note 9.4	23,471	-	23,471	-	-
Substandard	64,642	-	64,642	10,017	10,017
Doubtful	28,352	-	28,352	2,704	2,704
Loss	123,755	-	123,755	81,338	81,338
	<u>240,220</u>	<u>-</u>	<u>240,220</u>	<u>94,059</u>	<u>94,059</u>

- 9.4 This represents classification made for agricultural finance loans.

10. OPERATING FIXED ASSETS

June 30,
2016
(Rupees in '000)

December 31,
2015

Capital work in progress		395	1,480
Property and equipment	10.1	122,865	123,803
		<u>123,260</u>	<u>125,283</u>

10.1 Property and equipments

Book value as at December 31	123,803	107,738
Additions during the period / year - cost	9,818	33,791
Deletions during the period / year	-	(21)
Depreciation charge for the period / year	(10,756)	(17,705)
Book value as at June 30	<u>122,865</u>	<u>123,803</u>

11. DEFERRED TAX ASSET

June 30,
2016
(Rupees in '000)

December 31,
2015

Deferred tax arising due to:		
Tax depreciation	2,043	1,419
Provision against other receivables	1,685	1,685
Provision against non-performing advances classified in sub-standard category	2,750	3,506
	<u>6,478</u>	<u>6,610</u>
Surplus on revaluation of available for sale securities	(4,105)	(4,729)
	<u>2,373</u>	<u>1,881</u>

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12. DEPOSITS AND OTHER ACCOUNTS	June 30, 2016	December 31, 2015
	(Rupees in '000)	
Fixed deposits	2,346,232	2,469,382
Savings deposits	3,549,689	3,506,606
Current accounts - non remunerative	1,702,249	1,464,776
Others	449	113
	<u>7,598,619</u>	<u>7,440,877</u>

13. CONTINGENCIES AND COMMITMENTS	June 30, 2016	December 31, 2015
	(Rupees in '000)	
13.1 Commitments to extend credit	<u>266,172</u>	<u>236,323</u>
13.2 Bills for collection	<u>27,686</u>	<u>11,236</u>

Bills for collection represent bill drawn in favor of various financial institutions on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry credit risk in respect of these bills.

14. MARK-UP / RETURN / INTEREST EARNED	June 30, 2016	June 30, 2015
	(Rupees in '000)	
On loans and advances to customers	213,282	179,972
On investment in held to maturity securities	58,596	59,093
On deposits with financial institutions	143,116	163,930
	<u>414,994</u>	<u>402,995</u>

15. GAIN ON SALE OF SECURITIES

This represents gain on disposal of available for sale investments in units of listed mutual funds.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

16.1 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair values of traded investments are based on quoted market prices, except for tradable securities classified as 'held-to-maturity' which are carried at amortised cost.

Fair value of fixed-term loans and deposits, other assets and other liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3 to the annual financial statements for the year ended December 31, 2015.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are either short-term in nature or, in the case of financings and deposits, are periodically repriced.

16.2 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: Quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) available at MUFAP, Reuters page, Redemption prices and determined

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

	June 30, 2016 (Un-audited)			
	Level 1	Level 2	Level 3	Total
Financial assets:	Rupees in '000			
Available-for-sale securities				
Units of mutual funds	191,728	-	-	191,728
	December 31, 2015 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets:	Rupees in '000			
Available-for-sale securities				
Units of mutual funds	158,510	-	-	158,510

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000						
	For the half year ended June 30, 2016						
Total income	-	-	127,530	307,671	7,451	1,862	444,514
Total expenses	-	-	51,041	282,578	2,612	653	336,884
Net income (loss)	-	-	76,488	25,092	4,841	1,209	107,630
	For the half year ended June 30, 2015						
Total income	-	-	109,314	296,923	8,942	2,062	417,241
Total expenses	-	-	61,766	275,476	2,627	606	340,475
Net income (loss)	-	-	47,548	21,447	6,315	1,456	76,766
	As as June 30, 2016						
Segment Assets (Gross)	-	-	1,630,179	7,043,098	4,190	1,048	8,678,515
Segment Non Performing Loans	-	-	238,914	-	-	-	238,914
Segment Provision Required	-	-	95,644	-	-	-	95,644
Segment Liabilities	-	-	10,290	7,715,663	26	7	7,725,986
Segment Return on net Assets (I	-	-	1.49%	3.59%	0.09%	0.02%	
Segment Cost of funds (%)	-	-	0.67%	3.70%	0.03%	0.01%	
	As at December 31, 2015						
Segment Assets (Gross)	-	-	1,594,547	6,856,657	3,490	736	8,455,430
Segment Non Performing Loans	-	-	240,220	-	-	-	240,220
Segment Provision Required	-	-	94,059	-	-	-	94,059
Segment Liabilities	-	-	10,693	7,555,432	23	5	7,566,153
Segment Return on net Assets (I	-	-	2.75%	7.37%	0.23%	0.05%	
Segment Cost of funds (%)	-	-	1.76%	8.03%	0.09%	0.02%	

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.

18. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks
Balances with other banks

	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Cash and balances with treasury banks	1,162,650	861,210
Balances with other banks	2,898,715	3,096,197
	<u>4,061,365</u>	<u>3,957,407</u>

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19. RELATED PARTY TRANSACTIONS

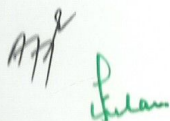
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The Government of Azad Jammu and Kashmir holds directly and indirectly Bank's entire share capital at the year 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.

Details of balances due to / from related parties at the period end and transactions with them during the period are as follows:

	As at June 30, 2016				As at December 31, 2015			
	Key management personnel	Directors	Government of Azad Jammu and Kashmir and its related departments	Employee Funds	Key management personnel	Directors	Government of Azad Jammu and Kashmir and its related departments	Employee Funds
(Rupees in '000')								
Balances outstanding at the period / year end								
- Advances at the period / year end	23,433	-	273,846		23,824	-	304,744	-
- Deposits at the period / year end	9,362	-	3,517,484	2,118	7,879	-	3,279,865	1,697
- Mark-up / return / interest accrued	-	-	1,981	-	-	-	3,069	-
- Mark-up / return / interest payable	-	-	21,527		-	-	31,022	
Transactions during the period								
- Net mark-up / interest expensed	146	-	87,823	-	111	-	287,424	-
- Mark-up/ interest earned	707	-	16,211	73	1,469	-	37,524	197
- Contributions to defined contribution plan	-	-	-	1,955	-	-	-	3,761
- Contributions to defined gratuity fund	-	-	-	2,434	-	-	-	6,185
- Fee paid	-	271	-	-	-	429	-	-
- Bonus shares issued during the period / year	-	-	-	-	-	-	130,996	-

20. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue by the Board of Directors on 02 NOV 2016.



Chairman



Managing Director



Director



Director