


THE BANK OF AZAD JAMMU AND KASHMIR  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014**

Notes	For the Quarter ended September 30, 2014 (Un-Audited)	For the Nine Months ended September 30, 2014 (Un-Audited)	For the Quarter ended September 30, 2013 (Un-Audited)	For the Nine Months ended September 30, 2013 (un-Audited)
Rupees in '000				
Mark-up / return / interest earned	195,542	523,841	144,546	417,887
Mark-up / return / interest expensed	97,883	273,594	79,892	235,961
Net mark-up / interest income	97,659	250,247	64,654	181,926
Provision against lending to financial institutions	-	(4,666)	(2,000)	(6,000)
Provision against Non-Performing Loans	4,409	23,007	9,638	21,640
Impairment loss on available for sale investments	-	-	-	-
Bad debts written off directly	-	-	-	-
Net mark-up / interest income after provisions	4,409	18,341	7,638	15,640
	93,250	231,906	57,016	166,286
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	4,396	14,520	3,916	10,591
Dividend income	661	3,058	4,340	5,456
Income from dealing in foreign currencies	-	-	-	-
Gain on sale of securities - net	-	10,898	21,258	21,258
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-	-	-
Other income	228	2,004	162	1,111
Total non-markup / interest income	5,285	30,480	29,677	38,417
	98,535	262,386	86,693	204,703
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	67,272	172,865	53,944	150,095
Other provisions / write offs	-	-	-	-
Other charges	-	-	-	-
Total non-markup / interest expenses	67,272	172,865	53,944	150,095
	31,263	89,521	32,749	54,608
Extraordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>31,263</b>	<b>89,521</b>	<b>32,749</b>	<b>54,608</b>
Taxation – current	10,876	28,302	3,587	11,126
– prior years	-	-	-	-
– deferred	-	-	-	-
<b>PROFIT AFTER TAXATION</b>	<b>20,387</b>	<b>61,219</b>	<b>29,162</b>	<b>43,482</b>
Unappropriated profit brought forward		75,347		28,921
Profit available for appropriation		<b>136,566</b>		<b>72,403</b>
Basic/ diluted earnings per share - Rupees		0.93		0.66

The annexed notes 1 to 10 form an integral part of these financial statements.

  
Managing Director

  
Director

  
Director

THE BANK OF AZAD JAMMU AND KASHMIR  
CASH FLOW STATEMENT  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation  
Less: Dividend

**Adjustment for non-cash charges**

Provision against lending to financial institutions  
Depreciation  
Provision against Non-Performing Loans  
Provision for impairment in the value of investment  
Amortization of deferred government grant  
Fixed Assets written off

(Increase) / decrease in operating assets

Lending to financial Institution  
Advances  
Other assets

Increase / (decrease) in operating liabilities

Bills payable  
Deposits  
Other liabilities (excluding current taxation)

Less : Tax Paid

**Net cash inflow from operating activities**

**CASH FLOW FROM INVESTING ACTIVITIES**

Net Investment in available for sale securities  
Net Investment in Held for maturities securities  
Dividend Income  
Investment in Operating Fixed Assets

**Net Cash Outflow from Financing Activities**

**INCREASE IN CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of the period

September 30, 2014 (Un-Audited)	September 30, 2013 (Un-Audited)
---------------------------------------	---------------------------------------

Rupees '000

89,521	54,609
3,058	5,456
86,463	49,153

(4,666)	(6,000)
9,328	8,405
23,007	21,641
-	-
-	-
-	-
27,669	24,046
114,132	73,199

4,666	6,000
(389,865)	(386,864)
(4,682)	(113,287)
(389,881)	(494,151)

1,843	1,095
729,642	443,068
58,296	22,348
789,781	466,511
514,032	45,559
(16,027)	(17,972)
498,005	27,587

40,000	(30,000)
(1,000,000)	5,169
3,058	5,456
(33,634)	(21,271)
(990,576)	(40,646)

(492,571)	(13,059)
-----------	----------


3,934,712	3,801,485
-----------	-----------

3,442,141	3,788,426
-----------	-----------

The annexed notes 1 to 10 form an integral part of these financial statements.

  
Managing Director

  
Director

  
Director



**THE BANK OF AZAD JAMMU AND KASHMIR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014**

**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 Head 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 end of the period.

The Bank has 56 branches (December 2013: 52 branches) in Azad Jammu and Kashmir.

**2. BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No 4 dated February 17, 2006, except for disclosures required in BSD Circular No 1 of 2009 dated January 6, 2009. Such disclosures have not been given since the Bank is in the initial phase and due to lack of basic infrastructure relating to Information Technology required for the purpose of calculation of Capital Adequacy Ratio and other related disclosures required under BASEL II.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the requirements of The Bank of Azad Jammu and Kashmir Act, 2005 and its Bye-Laws 2007 and are in accordance with the approved accounting standards as applicable in Pakistan. Bye-Laws 2007 require that the Balance Sheet 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.

**4. BASIS OF MEASUREMENTS**

These financial statements have been prepared under the historical cost convention as modified for certain investments which are shown at revalued amounts.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are the same as applied in the preparation of the financial statements of the bank for the year ended December 31, 2013.

THE BANK OF AZAD JAMMU AND KASHMIR  
STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

	Share capital	Advance against issue of share	Unappropriated profit	Total
	(Rupees '000)			
Balance as at January 01, 2013 ( Audited)	525,938	50,152	107,810	683,900
Bonus Shares issued	78,891	-	(78,891)	-
Advance Issue of Shares	50,152	(50,152)	-	-
Net profit for the year ended December 31,2013	-		46,428	46,428
Balance as at December 31, 2013	654,981	-	75,347	730,328
Bonus Shares issued	-		-	-
Profit for Nine months ended September 30,2014	-		61,219	61,219
Balance as at September 30, 2014	654,981	-	136,566	791,547

The annexed notes 1 to 10 form an integral part of these financial statements.

Managing Director



Director

Director

## 6. INVESTMENTS

### 6.1 Investment by types

September 30, 2014 ( Un Audited)			December 31, 2013 ( Audited)		
Held by Bank	Given as Colletral	Total	Held by Bank	Given as Colletral	Total

Rupees in "000"

#### Available for sale securities

Alfalah GHP Income Multiplier Fund	-	-	-	-	-
Alfalah GHP Cash Fund	-	-	10,000	-	10,000
NAFA Asset Allocation Fund	-	-	-	-	-
HLB Money Market Fund	-	-	-	-	-
NIT(U)	100,000	-	30,000	-	30,000
NIT(Govt. Securities Fund)	-	-	10,000	-	10,000
Pak Income Enhancement Fund(Arif Habib)	-	-	15,000	-	15,000
Pak Cash Management Fund(Arif Habib)	-	-	10,000	-	10,000
Askari Income Fund	-	-	-	-	-
Pak Oman Advantage Islamic Income Fund	-	-	-	-	-
KASB Cash Fund	10,000	-	10,000	-	10,000
Fasal Money Market	15,000	-	30,000	-	30,000
AKD CASH FUND	-	-	15,000	-	15,000
UBL liquidity Fund	-	-	25,000	-	25,000
MCB dynamic plus fund	25,000	-	25,000	-	25,000
NIT Income Fund	-	-	10,000	-	10,000
Pak Oman Govt. Securities Fund	-	-	-	-	-

-	-	-	-	-	-
-	-	-	10,000	-	10,000
-	-	-	-	-	-
-	-	-	-	-	-
100,000	-	100,000	30,000	-	30,000
-	-	-	10,000	-	10,000
-	-	-	15,000	-	15,000
-	-	-	10,000	-	10,000
-	-	-	-	-	-
-	-	-	-	-	-
10,000	-	10,000	10,000	-	10,000
15,000	-	15,000	30,000	-	30,000
-	-	-	15,000	-	15,000
-	-	-	25,000	-	25,000
25,000	-	25,000	25,000	-	25,000
-	-	-	10,000	-	10,000
-	-	-	-	-	-
150,000	-	150,000	190,000	-	190,000

#### Held to Maturity Securities

##### Term Finance Certificates

Pak Arab Fertilizers Limited	-	-	-	-	-
PACE Pakistan Limited	49,940	-	49,940	49,940	-
Pakistan Mobile Communications (Pvt) Limited	-	-	-	-	-
Pakistan Investment Bonds	1,000,000	-	-	-	-

-	-	-	-	-	-
49,940	-	49,940	49,940	-	49,940
-	-	-	-	-	-
1,000,000	-	-	-	-	-
1,049,940	-	49,940	49,940	-	49,940
1,199,940	-	199,940	239,940	-	239,940
(49,940)	-	(49,940)	(49,940)	-	(49,940)
1,150,000	-	1,150,000	190,000	-	190,000
18,754	-	18,754	13,549	-	13,549
1,168,754	-	1,168,754	203,549	-	203,549

Investment at Cost	-	-	-	-	-
Provision against Investment	(49,940)	-	(49,940)	(49,940)	-

Add:- Surplus on revaluation of available for sale securities-net	18,754	-	18,754	13,549	-
Total Investment at market Value	1,168,754	-	1,168,754	203,549	-



September 30, 2014 (Un-Audited)	December 31, 2013 Audited)
---------------------------------------	----------------------------------

Rupees in "000"

## 7. ADVANCES

Consumer Finance		
Car finance	29,155	32,555
Finance against salary	866,782	611,736
Personal Loans	79,746	85,288
Student loan	17,424	67,178
Gold Loan	212,671	131,760
Running Finance	443,600	470,135
Demand Finance	137,588	151,009
House Finance	33,549	-
Micro Finance	81,426	72,669
Agriculture Finance	150,807	59,626
Staff Finance	62,058	42,985
	2,114,806	1,724,941
<b>Margin Financing</b>	-	-
Advances Gross	2,114,806	1,724,941
Provision for non performing advances	(26,019)	(15,372)
General Provision against Consumer Finance	(43,782)	(31,422)
	(69,801)	(46,794)
Advances net of Provision	2,045,005	1,678,147

### 7.1 Particulars of provision against loans and advances

	September 30, 2014 ( Un-Audited)			December 31, 2013 ( Audited)		
	Specific	General	Total	Specific	General	Total
Opening Balance	15,372	31,422	46,794	3,645	16,975	20,620
Charge for the period	10,647	12,360	23,007	11,727	14,447	26,174
Reversal for the period	-	-	-	-	-	-
Amount written off	-	-	-	-	-	-
Closing Balance	26,019	43,782	69,801	15,372	31,422	46,794

7.2 Advances include Rs. 50,309 thousand which have been placed under non-performing status as detailed below:

	September 30, 2014 ( Un Audited)				
	Classified Advances			Provision required	Provision Held
	Domestic	Overseas	Total		
Substandard	12,234	-	12,234	2,033	2,033
Doubtful	13,067	-	13,067	3,712	3,712
Loss	25,008	-	25,008	20,274	20,274
	50,309	-	50,309	26,019	26,019

September 30, 2014 (Un-Audited)	December 31, 2013 Audited)
---------------------------------------	----------------------------------

*Rupees in "000"*

## 8 CONTINGENCIES AND COMMITMENTS

8.1 Commitments to extend credit	<u>12,749</u>	<u>42,080</u>
8.2 Transaction related Contingent Liabilities (Guarantee)	<u>16,661</u>	<u>16,661</u>
8.2 Bills for collection	<u>32,608</u>	<u>22,901</u>

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

## 9. RELATED PARTY TRANSACTIONS

9.1 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 Quarter end, therefore all of its departments are related parties of the Bank. Also the bank has related party relationship with its directors, key management personnel, entities over which the directors are able to exercise significant influence.

9.2 Details of transactions with related parties and balances with them at the end of the period were as follows:-


September 30, 2014 (Un-Audited)	December 31, 2013 Audited)
---------------------------------------	----------------------------------

*Rupees in "000"*

- Deposit Outstanding	2,427,624	2,373,153
- Mark-up/return/interest Expensed on Deposits	141,518	174,649
- Mark-up/return/interest payable on Deposits	30,902	19,504

## 10. DATE OF AUTHORIZATION

These financial statements were authorised for issue by the Board of Directors of the Bank on

  
Managing Director

  
Director

  
Director

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2014**

**ASSETS**

Cash and balances with treasury banks  
Balances with other banks  
Lendings to financial institution  
Investments  
Advances  
Operating fixed assets  
Deferred tax assets  
Other assets

Notes

**(Un-audited)**  
**September, 30**  
**2014**

**(Audited)**  
**December, 31**  
**2013**

Rupees in '000

	248,069	306,368
	3,194,072	3,628,344
	-	-
6	1,168,754	203,549
7	2,045,006	1,678,147
	122,289	97,983
	-	-
	293,797	290,032
	7,071,987	6,204,423

**LIABILITIES**

Bills payable  
Borrowings  
Deposits and other accounts  
Sub-ordinated loans  
Liabilities against assets subject to finance lease  
Deferred tax liabilities  
Deferred Government grant  
Other liabilities

6,303	4,460
-	-
6,097,537	5,367,895
-	-
-	-
1,924	3,280
18	18
155,904	86,248
6,261,686	5,461,901
810,301	742,522

**NET ASSETS**

**REPRESENTED BY**

Share capital  
Advance against issue of share  
Reserves  
Unappropriated profit

654,981	654,981
-	-
-	-
136,566	75,347
791,547	730,328
18,754	12,194
810,301	742,522

Surplus/ (deficit) on revaluation of assets - net

**CONTINGENCIES AND COMMITMENTS**

8

The annexed notes 1 to 10 form an integral part of these financial statements.

Managing Director

Director

Director