

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2018**

**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  
 2018

(Audited)  
 December, 31  
 2017

Rupees in '000

2,119,652	1,755,794
7,021,094	5,748,385
-	-
188,222	339,791
2,057,209	2,407,853
149,960	117,060
17,044	22,845
757,899	448,931
12,311,080	10,840,659

**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

27,890	31,808
-	-
10,873,966	9,547,215
-	-
-	-
-	-
-	-
287,087	198,402
11,188,943	9,777,425
1,122,137	1,063,234

**NET ASSETS**

**REPRESENTED BY**

Share capital  
 Advance against issue of share  
 Reserves  
 Unappropriated profit

933,811	848,919
-	-
-	-
199,231	223,711
1,133,042	1,072,630
(10,905)	(9,396)
1,122,137	1,063,234


Surplus/ (deficit) on revaluation of assets - net

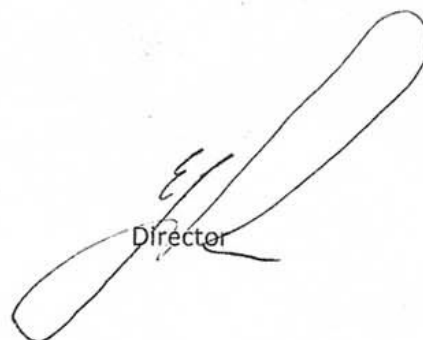
**CONTINGENCIES AND COMMITMENTS**

8

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

  
 Chief Financial Officer

  
 Managing Director

  
 Director

  
 Director

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	For the Quarter ended September 30, 2018 (Un-Audited)	For the Nine Months ended September 30, 2018 (Un-Audited)	For the Quarter ended September 30, 2017 (Un-Audited)	For the Nine Months ended September 30, 2017 (un-Audited)
Notes				
	Rupees in '000			
Mark-up / return / interest earned	253,268	692,770	209,101	635,346
Mark-up / return / interest expensed	99,480	282,334	85,638	248,014
Net mark-up / interest income	153,788	410,436	123,463	387,332
Provision against lending to financial institutions	-	-	-	-
Provision against Non-Performing Loans	7.1 (3,034)	7,148	218	(61,301)
Impairment loss on available for sale investments	-	-	-	-
Bad debts written off directly	(3,034)	7,148	218	(61,301)
Net mark-up / interest income after provisions	156,822	403,288	123,245	448,633
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	3,108	11,393	4,038	12,287
Dividend income	1,324	1,903	4,997	4,997
Income from dealing in foreign currencies	-	-	-	-
Gain on sale of securities - net	-	-	362	27,102
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-	-	-
Other income	258	2,230	756	1,996
Total non-markup / interest income	4,690	15,526	10,153	46,382
	161,512	418,814	133,398	495,015
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	111,352	307,807	76,381	246,407
Other provisions / write offs	-	-	-	-
Other charges	-	-	-	-
Total non-markup / interest expenses	111,352	307,807	76,381	246,407
Extraordinary / unusual items	50,160	111,007	57,017	248,608
<b>PROFIT BEFORE TAXATION</b>	50,160	111,007	57,017	248,608
Taxation – current	19,894	43,983	19,842	86,387
– prior years	-	-	-	5,702
– deferred	3,050	6,614	3,032	7,026
<b>PROFIT AFTER TAXATION</b>	22,944	50,597	22,874	99,115
Unappropriated profit brought forward	27,216	60,410	34,143	149,493
Profit available for appropriation		138,821		66,627
		199,231		216,120
Basic/ diluted earnings per share - Rupees		0.65		1.76

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

Chief Financial Officer

Managing Director

Director

Director

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**CASH FLOW STATEMENT**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

**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**

Shares issued during the period

Dividend Paid During the period

**INCREASE IN CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of the period

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

September 30, 2018 (Un-Audited)	September 30, 2017 (Un-Audited)
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Rupees '000

111,007	248,608
1,903	4,997
109,104	243,611
17,312	15,568
7,148	(61,301)
-	-
-	-
-	-
24,460	(45,733)
133,564	197,878
-	-
343,496	177,891
(308,968)	(141,015)
34,528	36,876
(3,918)	6,218
1,326,751	872,159
106,966	125,011
1,429,799	1,003,388
1,597,891	1,238,142
(62,264)	(71,708)
1,535,627	1,166,434
(50,000)	(25,000)
199,247	250,000
1,903	4,997
(50,211)	(32,953)
100,939	197,044
-	62,943
-	(78,598)
-	(15,655)
1,636,566	1,347,823
7,504,179	5,142,867
9,140,745	6,490,690

Chief Financial Officer

Managing Director

Director

Director



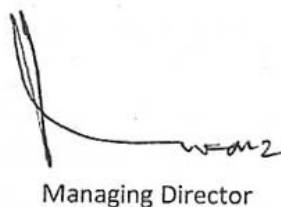
**THE BANK OF AZAD JAMMU AND KASHMIR**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Share capital	Unappropriated profit (Rupees '000)	Total
Balance as at January 01, 2017 (audited)	785,977	145,225	931,202
Transactions with owner directly recorded in equity			
-Issuance of Shares	62,943	-	62,943
-Dividend		(78,598)	(78,598)
Net Profit for the year ended December 31, 2017 (audited)	-	157,084	157,084
Balance as at December 31, 2017 (audited)	848,919	223,711	1,072,630
Transactions with owner directly recorded in equity			
-Issuance of Shares	84,892	(84,892)	-
Net Profit for the nine months ended September 30, 2018	-	60,410	60,410
Balance as at September 30, 2018	933,811	199,230	1,133,041

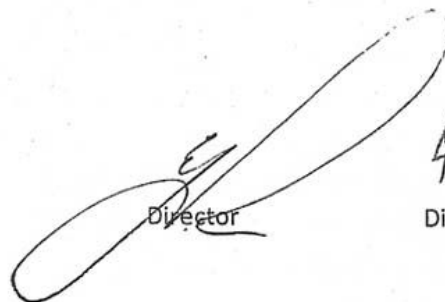
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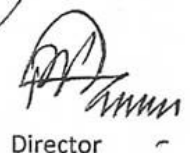
Chief Financial Officer



Managing Director



Director



Director

**THE BANK OF AZAD JAMMU AND KASHMIR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

**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 69 branches (December 2017: 68 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 III.

**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.

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to Banking Companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Accordingly, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

**4. BASIS OF MEASUREMENTS**

These 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.

**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, 2017.



## 6. INVESTMENTS

### 6.1 Investment by types

September 30, 2018 ( Un Audited)			December 31, 2017 ( Audited)		
Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total

Rupees in "000"

#### Available for sale securities

NIT(U)	100,000	-	100,000	50,000	-	50,000
NIT(Govt. Securities Fund)	30,000	-	30,000	30,000	-	30,000
NIT Islamic Equity Fund	50,000	-	50,000	50,000	-	50,000
MCB Dynamic Cash Fund	25,000	-	25,000	25,000	-	25,000
	205,000	-	205,000	155,000	-	155,000

#### Held to Maturity Securities

##### Term Finance Certificates

PACE Pakistan Limited

##### Pakistan Investment Bonds

	49,940	-	49,940	49,940	-	49,940
	-	-	-	199,247	-	199,247
	49,940	-	49,940	249,187	-	249,187
Investment at Cost	254,940	-	254,940	404,187	-	404,187
Provision against Investment	(49,940)	-	(49,940)	(49,940)	-	(49,940)
	205,000	-	205,000	354,247	-	354,247

Surplus/(deficit) on revaluation of available for sale securities-net

Total Investment at market Value

	(16,778)	-	(16,778)	(14,456)	-	(14,456)
	188,222	-	188,222	339,791	-	339,791

September 30,  
2018  
(Un-Audited)

December 31,  
2017  
Audited)

Rupees in "000"

## 7. ADVANCES

Running and Demand Finance

Agriculture Finance Loans

Micro Finance Loans

Consumer Finance Loans

Staff Loans

Margin Financing

Advances Gross

Provision for non performing advances

General Provision against Consumer Finance

Advances net of Provision

638,963	792,386
170,611	232,038
34,503	40,253
1,294,432	1,416,972
92,555	92,911
2,231,064	2,574,560
-	-
2,231,064	2,574,560
(123,869)	(122,169)
(49,986)	(44,538)
(173,855)	(166,707)
2,057,209	2,407,853

### 7.1 Particulars of provision against loans and advances

	September 30, 2018 ( Un-Audited)			December 31, 2017 ( Audited)		
	Specific	General	Total	Specific	General	Total
Opening Balance	122,169	44,538	166,707	172,313	57,410	229,723
Charge for the period	25,755	5,448	31,203	42,756	-	42,756
Reversal for the period	(24,055)	-	(24,055)	(92,900)	(12,872)	(105,772)
Closing Balance	123,869	49,986	173,855	122,169	44,538	166,707

### 7.2 Advances include Rs.276,526 thousand which have been placed under non-performing status as detailed below:

	September 30, 2018 ( Un Audited)				
	Classified Advances			Provision required	Provision Held
	Domestic	Overseas	Total		
OAEM	29,377	-	29,377	-	-
Substandard	45,771	-	45,771	6,952	6,952
Doubtful	68,182	-	68,182	15,776	15,776
Loss	133,196	-	133,196	101,141	101,141
	276,526	-	276,526	123,869	123,869

September 30, 2018 (Un-Audited)	December 31, 2017 Audited)
---------------------------------------	----------------------------------

Rupees in "000"

## 8 CONTINGENCIES AND COMMITMENTS

8.1 Commitments to extend credit	248,938	228,131
8.2 Transaction related Contingent Liabilities (Guarantee)	25,779	48,643
8.2 Bills for collection	20,618	27,792

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, 2018 (Un-Audited)	December 31, 2017 Audited)
---------------------------------------	----------------------------------

Rupees in "000"

### Balances

The Government of AJK and its related departments

- Deposits	5,389,034	4,650,389
- Advances	271,759	305,624
- Markup/return/interest payable on deposits	20,228	48,115
- Markup/return/interest accrued on advances	1,894	2,295

### Transactions

- Mark-up/return/interest Expensed on Deposits	129,539	155,472
- Mark-up/return/interest earned on Advances	18,309	22,838
- Dividend Paid during the Period	-	78,598
- Shares Issued During the period	84,891	62,943

## 10. DATE OF AUTHORIZATION

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

Chief Financial Officer

Managing Director

Director

Director