

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		(Un-audited)	(Audited)
	Note	June 30, 2020	December 31, 2019
-----Rupees in '000-----			
ASSETS			
Cash and balances with treasury banks	5	3,937,963	3,005,671
Balances with other banks	6	9,094,843	7,308,507
Lendings to financial institutions		-	-
Investments	7	165,839	178,401
Advances	8	1,779,630	2,036,826
Fixed assets	9	219,884	238,881
Intangible assets		-	-
Deferred tax assets	10	28,513	22,426
Other assets	11	1,150,361	775,623
		16,377,033	13,566,335
LIABILITIES			
Bills payable	12	17,790	21,148
Borrowings		-	-
Deposits and other accounts	13	14,533,636	11,873,535
Liabilities against assets subject to finance lease		115,497	122,388
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	14	401,119	322,201
		15,068,042	12,339,272
NET ASSETS		1,308,991	1,227,063
REPRESENTED BY			
Share capital		1,129,911	1,027,192
Reserves		-	-
Deficit on revaluation of assets	15	(25,454)	(17,289)
Unappropriated profit		204,534	217,161
		1,308,991	1,227,063
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


President/CEO


Chief Financial Officer


Director


Director


Director

Signature
04/11/2020

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	For the Half Year ended June 30, 2020	For the Half Year ended June 30, 2019	For the quarter ended June 30, 2020	For the quarter ended June 30, 2019
-----Rupees in '000-----					
Mark-up / return / interest earned	17	804,435	525,454	394,831	279,057
Mark-up / return / interest expensed	18	398,929	308,289	193,751	163,823
Net mark-up/interest income		405,506	217,165	201,080	115,234

NON MARK-UP/INTEREST INCOME

Fee and commission income	19	7,469	6,407	3,531	2,744
Dividend income		815	1,443	-	-
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Other income	20	1,697	3,358	1,010	711
Total non-markup/interest Income		9,981	11,208	4,541	3,455

Total Income		415,487	228,373	205,621	118,689
--------------	--	---------	---------	---------	---------

NON MARK-UP/INTEREST EXPENSES

Operating expenses	21	247,365	216,034	121,670	117,297
Workers welfare fund		-	-	-	-
Other charges		-	-	-	-
Total non-markup/interest expenses		247,365	216,034	121,670	117,297

Profit before provisions		168,122	12,339	83,951	1,392
Provisions/(reversals) and write offs - net	22	17,511	(11,951)	12,389	(1,509)
Extra ordinary / unusual items		-	-	-	-

PROFIT BEFORE TAXATION		150,611	24,290	71,562	2,901
-------------------------------	--	---------	--------	--------	-------

Taxation	23	60,518	9,671	27,713	1,319
----------	----	--------	-------	--------	-------

PROFIT/(LOSS) AFTER TAXATION		90,093	14,619	43,849	1,582
-------------------------------------	--	--------	--------	--------	-------

-----Rupees-----					
		(Restated)		(Restated)	
BASIC AND DILUTED EARNINGS PER SHARE	24	0.80	0.13	0.39	0.01

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


President/CEO


Chief Financial Officer


Director


Director

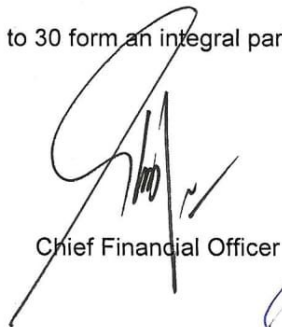

Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

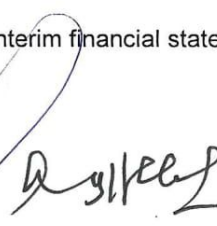
	For the Half Year ended June 30, 2020	For the Half Year ended June 30, 2019	For the quarter ended June 30, 2020	For the quarter ended June 30, 2019
	-----Rupees in '000-----			
Profit after taxation for the period	90,093	14,619	43,849	15,489
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus/ (deficit) on revaluation of investments - net	(8,165)	(9,560)	(28,858)	1,777
Total comprehensive income	<u><u>81,928</u></u>	<u><u>5,059</u></u>	<u><u>14,991</u></u>	<u><u>17,266</u></u>


The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


President/CEO


Chief Financial Officer


Director


Director



Director 24/11/2020

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Share Capital	Deficit on revaluation of investments	Unappropriated profit	Total
-----Rupees in '000-----				
Balance as at January 01, 2019	933,811	(18,935)	238,712	1,153,588
Profit after taxation for the half year ended June 30, 2019	-	-	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 July 01, 2019	<u>1,027,192</u>	<u>(28,495)</u>	<u>159,950</u>	<u>1,158,647</u>
Profit after taxation for the half year ended December 31, 2019	-	-	57,211	57,211
Other comprehensive income - net of tax	-	11,206	-	11,206
Transactions with owners, recorded directly in equity				
Issue of share capital	-	-	-	-
Balance as at December 31, 2019	<u>1,027,192</u>	<u>(17,289)</u>	<u>217,160</u>	<u>1,227,063</u>
Profit after taxation for the current period	-	-	90,093	90,093
Other comprehensive income - net of tax	-	(8,165)	-	(8,165)
Transactions with owners, recorded directly in equity				
Issue of bonus shares @10% on June 19, 2020.	102,719	-	(102,719)	-
Balance as at June 30, 2020	<u><u>1,129,911</u></u>	<u><u>(25,454)</u></u>	<u><u>204,534</u></u>	<u><u>1,308,991</u></u>

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


President/CEO


Chief Financial Officer


Director


Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

Note For the Half Year ended June 30, 2020 For the Half Year ended June 30, 2019

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

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	150,611	24,290
Less: Dividend income	815	1,443
	<u>149,796</u>	<u>22,847</u>

Adjustments:

Depreciation	12,538	13,145
Depreciation on right-of-use assets	13,179	13,436
Mark-up / return / interest expensed on lease liability against right-of-use assets	7,530	5,098
Provision /(reversals) against loans and advances	17,511	(11,951)
	<u>50,758</u>	<u>19,728</u>
	<u>200,554</u>	<u>42,575</u>

(Increase)/ decrease in operating assets

Advances	239,685	(43,997)
Others assets (excluding advance taxation)	(377,444)	19,339
	<u>(137,759)</u>	<u>(24,658)</u>

Increase/ (decrease) in operating liabilities

Bills payable	(3,358)	71,007
Deposits	2,660,101	921,364
Other liabilities (excluding current taxation)	59,921	84,386
	<u>2,716,664</u>	<u>1,076,757</u>

Income tax paid

	<u>(40,506)</u>	<u>(54,254)</u>
Net cash flow generated from operating activities	<u>2,738,953</u>	<u>1,040,420</u>

CASH FLOW FROM INVESTING ACTIVITIES

Dividends received	815	1,443
Investments in operating fixed assets	(6,719)	(4,837)
Proceeds from sale of fixed assets	-	-
Net cash flow used in investing activities	<u>(5,904)</u>	<u>(3,394)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Issue of share capital	-	-
Payment of lease liability against right-of-use assets	(14,421)	(10,899)
Net cash flow used in financing activities	<u>(14,421)</u>	<u>(10,899)</u>

Increase / (Decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the period	2,718,628	1,026,127
Cash and cash equivalents at end of the period	<u>10,314,178</u>	<u>9,406,659</u>
	<u>13,032,806</u>	<u>10,432,786</u>

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


President/CEO


Chief Financial Officer


Director


Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

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 year end.

The Bank has 70 branches (December 2019: 70 branches; June 2019: 70 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, 2020 are unaudited, 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 Banking Companies.

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. 05 of 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, 2019.

2.3 Amendments to existing accounting and reporting standards that have become effective in the current period.

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2020. These are considered either to not be relevant or to not have any significant impact on these condensed interim financial statements.

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

**Effective date (annual periods
beginning on or after)**

- IFRS 9, Financial Instruments

January 01, 2021

As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

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, 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Bank, for the year ended December 31, 2019.

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, 2019.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan and Azad Jammu and Kashmir to reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact banks in Pakistan and Azad Jammu and Kashmir on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

4.1 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

4.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and markup and rescheduling of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

4.3 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of Bank staff and uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

4.4 Capital Adequacy Ratio (CAR)

In order to encourage Banks to continue lending despite anticipated pressure on profits and credit risk, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers.

(Un-audited) (Audited)
June 30, December
2020 31, 2019
-----Rupees in '000-----

5 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	155,906	120,859
With National Bank of Pakistan in		
Local currency current accounts	302,803	25,232
Local currency deposit account	469,185	99,580
Local currency term deposit accounts	3,010,000	2,760,000
	3,781,988	2,884,812
Prize bonds	69	-
	<u>3,937,963</u>	<u>3,005,671</u>

6 BALANCES WITH OTHER BANKS

In Pakistan (Azad Jammu and Kashmir)		
In current accounts	160,326	130,061
In deposit accounts	8,934,517	7,178,446
	<u>9,094,843</u>	<u>7,308,507</u>

7 INVESTMENTS

Investments by
7.1 type:

	(Un-audited)				(Audited)			
	June 30, 2020				December 31, 2019			
	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	-	(39,161)	165,839	205,000	-	(26,599)	178,401
Held-to-maturity securities								
Term finance certificates - note 7.2	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total Investments	<u>254,940</u>	<u>(49,940)</u>	<u>(39,161)</u>	<u>165,839</u>	<u>254,940</u>	<u>(49,940)</u>	<u>(26,599)</u>	<u>178,401</u>

		(Un-audited)	(Audited)
		June 30, 2020	December 31, 2019
		-----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	<u>49,940</u>	<u>49,940</u>

7.2.2 Particulars of provision against debt securities

Category of classification	(Un-audited) June 30,		(Audited) December 31, 2019	
	NPI	Provision	NPI	Provision
Domestic				
Loss	49,940	49,940	49,940	49,940
Total	<u>49,940</u>	<u>49,940</u>	<u>49,940</u>	<u>49,940</u>

8 ADVANCES

	Performing		Non Performing		Total	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	-----Rupees in '000-----					
Loans, cash credits, running finances, etc.	1,733,608	1,993,166	235,493	215,620	1,969,101	2,208,786
Advances - gross	<u>1,733,608</u>	<u>1,993,166</u>	<u>235,493</u>	<u>215,620</u>	<u>1,969,101</u>	<u>2,208,786</u>
Provision against advances						
- Specific	-	-	(141,665)	(130,093)	(141,665)	(130,093)
- General	(47,806)	(41,867)	-	-	(47,806)	(41,867)
	<u>(47,806)</u>	<u>(41,867)</u>	<u>(141,665)</u>	<u>(130,093)</u>	<u>(189,471)</u>	<u>(171,960)</u>
Advances - net of provision	<u>1,685,802</u>	<u>1,951,299</u>	<u>93,828</u>	<u>85,527</u>	<u>1,779,630</u>	<u>2,036,826</u>

	(Un-audited)	(Audited)
	June 30, 2020	December 31, 2019
	-----Rupees in '000-----	
8.1	Particulars of advances (Gross)	
In local currency	1,969,101	2,208,786
	<u>1,969,101</u>	<u>2,208,786</u>

8.2 Advances include Rs. 235,493 thousand (2019: 215,620 thousand) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-audited) June 30,		(Audited) December 31, 2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	-----Rupees in '000-----			
Domestic				
Other Assets Especially Mentioned	15,671	-	4,986	-
Substandard	25,445	3,589	23,946	3,987
Doubtful	12,545	3,679	15,681	5,092
Loss	181,832	134,397	171,007	121,014
Total	<u>235,493</u>	<u>141,665</u>	<u>215,620</u>	<u>130,093</u>

8.3	Particulars of provision against advances	(Un-audited)			(Audited)		
		June 30, 2020			December 31, 2019		
		Specific	General	Total	Specific	General	Total
		-----Rupees in '000-----					
	Opening balance	130,093	41,867	171,960	112,203	48,092	160,295
	Charge for the period / year	23,431	5,939	29,370	48,673	-	48,673
	Reversals	(11,859)	-	(11,859)	(30,783)	(6,225)	(37,008)
		11,572	5,939	17,511	17,890	(6,225)	11,665
	Closing balance	141,665	47,806	189,471	130,093	41,867	171,960

8.3.1 Particulars of provision against advances

	(Un-audited)			(Audited)		
	June 30, 2020			December 31, 2019		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
In local currency	141,665	47,806	189,471	130,093	41,867	171,960
	141,665	47,806	189,471	130,093	41,867	171,960

9	FIXED ASSETS	Note	(Un-audited)	(Audited)
			June 30, 2020	December 31, 2019
			-----Rupees in '000-----	
	Capital work-in-progress	9.1	4,989	932
	Property and equipment	9.2, 9.3	214,895	237,949
			219,884	238,881

9.1 Capital work-in-progress

Advances to suppliers	4,989	932
-----------------------	-------	-----

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. 107,915 Thousand (2019 : 121,102 Thousand).

9.3	Additions to fixed assets	(Un-audited)	(Un-audited)
		June 30, 2020	June 30, 2019
		-----Rupees in '000-----	

The following additions have been made to fixed assets during the period:

Capital work-in-progress	4,057	514
--------------------------	-------	-----

Property and equipment

Leasehold Improvements	67	665
Furniture and fixture	886	921
Electrical office and computer equipment	1,717	2,737
	2,670	4,323

Right-of-use assets	-	86,582
---------------------	---	--------

Total	6,727	91,419
-------	-------	--------

		(Un-audited) June 30, 2020	Audited December 31, 2019
	Note	-----Rupees in '000-----	
10 DEFERRED TAX ASSETS			
Deductible temporary differences on :			
- Accelerated tax depreciation		10,021	8,330
- Provision against receivable from Kashmir Council		1,685	1,685
- Provision against customer claims		3,101	3,101
- Deficit on revaluation of investments		13,706	9,310
		28,513	22,426
Net deferred tax assets		28,513	22,426

11 OTHER ASSETS

Income/ mark-up accrued in local currency - net of provision	11.1	1,122,591	752,590
Advances, deposits, advance rent and other prepayments		2,183	1,254
Advance taxation (payments less provisions)		-	2,706
Branch adjustment account		20,032	11,180
Stationery and stamps in hand		2,400	1,926
Others		7,970	10,782
		1,155,176	780,438
Less: Provision held against other assets	11.2	(4,815)	(4,815)
Other Assets - Net of Provision		1,150,361	775,623

- 11.1** This includes an amount of Rs. Nil (2019: Rs. 1,520 thousand) on account of interest receivable from a related party.

		(Un-audited) June 30, 2020	Audited December 31, 2019
		-----Rupees in '000-----	
11.2 Provision held against other assets			
Receivable from Kashmir Council		4,815	4,815

12 BILLS PAYABLE

In Pakistan		17,790	21,148
-------------	--	--------	--------

13 DEPOSITS AND OTHER ACCOUNTS

(Un-audited)			Audited		
June 30, 2020			December 31, 2019		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----					
4,878,599	-	4,878,599	2,687,126	-	2,687,126
6,367,225	-	6,367,225	5,934,385	-	5,934,385
3,278,084	-	3,278,084	3,190,638	-	3,190,638
9,728	-	9,728	61,386	-	61,386
14,533,636	-	14,533,636	11,873,535	-	11,873,535

14 OTHER LIABILITIES

Mark-up/ return/ interest payable in local currency
Accrued expenses
Income tax payable
Provision for bonus to employees
Provision against customer claims
Leave encashment
Education cess
Others

Note	(Un-audited) June 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
14.1	246,412	219,687
	3,173	3,779
	18,997	-
	18,132	16,264
	8,861	8,861
	47,300	40,800
	6,123	6,008
	52,121	26,802
	401,119	322,201

14.1 It includes an amount of Rs. 82,581 thousand (2019: Rs. 83,561 thousand) on account of interest payable to related parties .

15 DEFICIT ON REVALUATION OF ASSETS

Deficit on revaluation of
- Available for sale securities

7.1 (39,161) (26,599)

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

13,707 9,310

(25,454) (17,289)

16 CONTINGENCIES AND COMMITMENTS

-Guarantees
-Commitments
-Bills for collection

16.1	33,039	36,076
16.2	48,315	336,245
16.4	26,054	9,564
	107,408	381,885

16.1 Guarantees:

Financial guarantees

33,039 36,076

16.2 Commitments:

Loan sanctioned but not disbursed
Unavailed running finance

13,510 20,389
34,805 315,856
48,315 336,245

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, 2020	For the Half Year ended June 30, 2019
	-----Rupees in '000-----	
17 MARK-UP / RETURN / INTEREST EARNED		
On:		
a) Loans and advances	135,066	142,588
b) Investments	-	-
d) Balances with banks	669,369	382,866
	<u>804,435</u>	<u>525,454</u>
18 MARK-UP/RETURN/INTEREST EXPENSED		
On:		
a) Deposits	391,399	303,191
b) Lease liability against right-of-use- assets	7,530	5,098
	<u>398,929</u>	<u>308,289</u>
19 FEE & COMMISSION INCOME		
Branch banking customer fees	1,077	994
Commission on cheques books	1,506	1,796
Credit related fees	1,708	430
Commission on guarantees	323	288
Commission on remittances	323	261
Commission on call deposit	-	2
Commission on utility bills	2,174	2,296
Postages charges	262	235
Others	96	105
	<u>7,469</u>	<u>6,407</u>
20 OTHER INCOME		
Other Income	<u>1,697</u>	<u>3,358</u>
21 OPERATING EXPENSES		
Total compensation expense	156,125	133,806
Property expense		
Rent & taxes	-	40
Insurance	1,492	931
Utilities cost	8,841	8,674
Security (including guards)	13,288	11,241
Repair & maintenance (including janitorial charges)	4,221	3,125
Depreciation on right-of-use assets	13,179	13,436
Depreciation on owned fixed assets	4,131	4,348
	<u>45,152</u>	<u>41,795</u>
Information technology expenses		
Software maintenance	10,228	5,593
Hardware maintenance	803	786
Depreciation	3,003	3,383
Network charges	2,891	2,752
	<u>16,925</u>	<u>12,514</u>

For the Half Year ended June 30, 2020	For the Half Year ended June 30, 2019
-----Rupees in '000-----	

Other operating expenses

Directors' fees and allowances
Legal & professional charges
Travelling & conveyance
Depreciation
Entertainment
Training & development
Postage & courier charges
Communication
Stationery & printing
Marketing, advertisement & publicity
Auditors Remuneration
Others

1,760	1,098
183	1,125
4,195	4,464
5,404	5,414
3,771	4,273
242	783
1,482	1,503
1,671	1,888
5,754	2,082
498	619
1,089	1,040
3,114	3,630
29,163	27,919
247,365	216,034

22 PROVISIONS & WRITE OFFS - NET

(Reversal)/Charge of provisions against loans & advances - net	8.3	17,511	(11,951)
--	-----	--------	----------

23 TAXATION

Current	62,209	11,089
Deferred	(1,691)	(1,418)
	60,518	9,671

24 BASIC EARNINGS PER SHARE

Profit for the period	90,093	14,619
	<i>Restated</i>	
	-----Number-----	
Weighted average number of ordinary shares	112,991	112,991
	-----Rupees-----	
Basic earnings per share	0.80	0.13

25 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

25.1 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, 2020			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual Fund	-	165,839	-	165,839

Audited				
December 31, 2019				
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual Fund	-	178,401	-	178,401

Un-Audited June 30, 2020			
Level 1	Level 2	Level 3	Total
-----Rupees in '000-----			
25.2 Fair value of non financial assets			
Fixed Assets			
-	-	219,884	219,884

Audited				
December 31, 2019				
Level 1	Level 2	Level 3	Total	
-----Rupees in '000-----				
Fixed Assets				
-	-	238,881	238,881	

26 Segment details with respect to business activities

For the half year ended June 30, 2020 (Un-audited)					
Profit and loss account	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
Net mark-up/return/profit	109,003	695,432	-	-	804,435
Non mark-up/return/interest income	90	2,512	4,941	2,438	9,981
Total Income	109,093	697,944	4,941	2,438	814,416
Segment direct expenses	33,238	610,808	1,506	742	646,294
Total expenses	33,238	610,808	1,506	742	646,294
Provisions charged / (reversal)	11,572	5,939	-	-	17,511
Profit before tax	64,283	81,197	3,435	1,696	150,611

as at June 30, 2020 (Un-audited)

Statement of financial position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
Cash & Bank balances	-	13,032,806	-	-	13,032,806
Investments	-	165,839	-	-	165,839
Advances - performing	1,440,033	293,576	-	-	1,733,608
- non-performing	63,616	171,877	-	-	235,493
- provision	(95,171)	(94,300)	-	-	(189,471)
Operating fixed assets	29,545	188,340	1,339	660	219,884
Deferred tax asset	-	28,513	-	-	28,513
Others	32,603	1,097,656	20,079	23	1,150,361
Total Assets	1,470,626	14,884,308	21,418	683	16,377,033
Bills payable	-	17,790	-	-	17,790
Deposits & other accounts	-	14,533,636	-	-	14,533,636
Others	29,411	485,854	905	6	516,616
Total liabilities	29,411	15,037,280	905	6	15,068,042
Equity	1,441,215	(152,972)	20,512	677	1,308,991
Total Equity & liabilities	1,470,626	14,884,308	21,418	683	16,377,033
Contingencies & Commitments	39,564	67,844	-	-	107,408

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

Profit and loss account

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
Net mark-up/return/profit	103,351	113,814	-	-	217,165
Non mark-up/return/interest income	49	4,750	4,065	2,344	11,208
Total Income	103,400	118,564	4,065	2,344	228,373
Segment direct expenses	944	91,554	78,358	45,178	216,034
Total expenses	944	91,554	78,358	45,178	216,034
Provisions (reversal)	(5,505)	(6,446)	-	-	(11,951)
Profit before tax	107,961	33,456	(74,293)	(42,834)	24,290

As at December 31, 2019 (Audited)

Statement of financial Position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
-----Rupees in '000-----					
Cash & Bank balances	-	10,314,178	-	-	10,314,178
Investments	-	178,401	-	-	178,401
Advances - performing	1,488,570	504,596	-	-	1,993,164
- non-performing	69,460	146,161	-	-	215,621
- provision	(97,784)	(74,175)	-	-	(171,959)
Operating fixed assets	36,830	199,196	2,032	822	238,881
Deferred tax asset	-	22,426	-	-	22,426
Others	3,038	772,350	168	68	775,623
Total Assets	1,500,114	12,063,133	2,200	890	13,566,335
Bills payable	-	21,148	-	-	21,148
Deposits & other accounts	-	11,873,535	-	-	11,873,535
Liabilities against assets subject to finar	-	122,388	-	-	122,388
Others	11,346	310,480	368	6	322,201
Total liabilities	11,346	12,327,551	368	6	12,339,272
Equity	1,488,768	(264,420)	1,832	884	1,227,063
Total Equity & liabilities	1,500,114	12,063,132	2,200	890	13,566,334
Contingencies & Commitments	13,390	358,931	9,564	-	381,885

27 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The Government of Azad Jammu and Kashmir holds directly and indirectly Bank's entire share capital at the period end, therefore all of its departments are related parties of the Bank. Also the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

	(Un-audited) June 30, 2020			(Audited) December 31, 2019		
	Directors	Government of AJK and its related department	Key management personnel	Directors	Government of AJK and its related department	Key management personnel
	Rupees in '000					
Advances						
Opening balance	-	210,992	39,176	-	259,972	45,707
Addition during the period / year	-	-	-	-	-	-
Repaid during the period / year	-	(210,992)	(4,540)	-	(48,980)	(6,531)
Closing balance	-	-	34,636	-	210,992	39,176
Provision held against advances	-	-	-	-	-	-
Other Assets						
Interest / mark-up accrued	-	-	-	-	1,520	-
Deposits and other accounts						
Opening balance	-	4,542,797	9,301	-	5,068,975	10,840
Received during the period / year	-	1,300,062	-	-	(526,178)	(1,539)
Withdrawn during the period / year	-	-	(8,506)	-	-	-
Closing balance	-	5,842,859	795	-	4,542,797	9,301
Other Liabilities						
Interest / mark-up payable	-	40,693	-	-	83,561	284
Contingencies and Commitments						
Unavailed running finance	-	34,805	-	-	289,008	-

RELATED PARTY TRANSACTIONS

	(Un-audited) For the half year ended June 30, 2020			(Un-audited) For the half year ended June 30, 2019		
	Directors	Government of AJK and its related department	Key management personnel	Directors	Government of AJK and its related department	Key management personnel
	(Rupees in '000)					
Income						
Mark-up / return / interest earned	-	2,329	856	-	10,512	1,582
Expense						
Mark-up / return / interest paid	-	106,477	17	-	68,747	43
Directors' fees and allowances	1,760	-	-	1,098	-	-
	1,760	106,477	17	1,098	68,747	43

(Un-audited) (Audited)
June 30, December 31,
2020 2019
-----Rupees in '000-----

28 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

10,000,000 10,000,000

Capital Adequacy Ratio (CAR):

Eligible common equity tier 1 (CET 1) capital

Eligible additional tier 1 (ADT 1) capital

Total regulatory adjustment applied to CET1

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

1,334,445	1,244,353
-	-
(25,454)	(17,289)
1,308,991	1,227,063
47,806	41,867
1,356,797	1,268,930

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

6,216,624	4,930,823
331,678	356,802
1,232,591	1,062,033
7,780,893	6,349,658

Common Equity Tier 1 Capital Adequacy Ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

17.15% 19.60%

16.82% 19.32%

17.44% 19.98%

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposure

Leverage Ratio

1,308,991 1,227,063

1,978,508 2,251,303

66% 55%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

13,032,806 10,314,178

3,538,904 2,950,470

368% 350%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

13,113,008 10,658,463

7,685,126 6,585,866

171% 162%

29 GENERAL

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

30 DATE OF AUTHORISATION FOR ISSUE

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


President/CEO


Chief Financial Officer


Director


Director


Director