



ONE BANK
ONE TEAM

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VISION

To emerge as a premier financial institution, fostering socio-economic development of the people of AJK.





MISSION STATEMENT

To acquire market leadership through quality banking services, customized products, best business practices, merit and performance culture and participation in development process of the state for the well-being of it's people

CORE VALUES





SARDAR MASOOD KHAN

President State of AJ&K

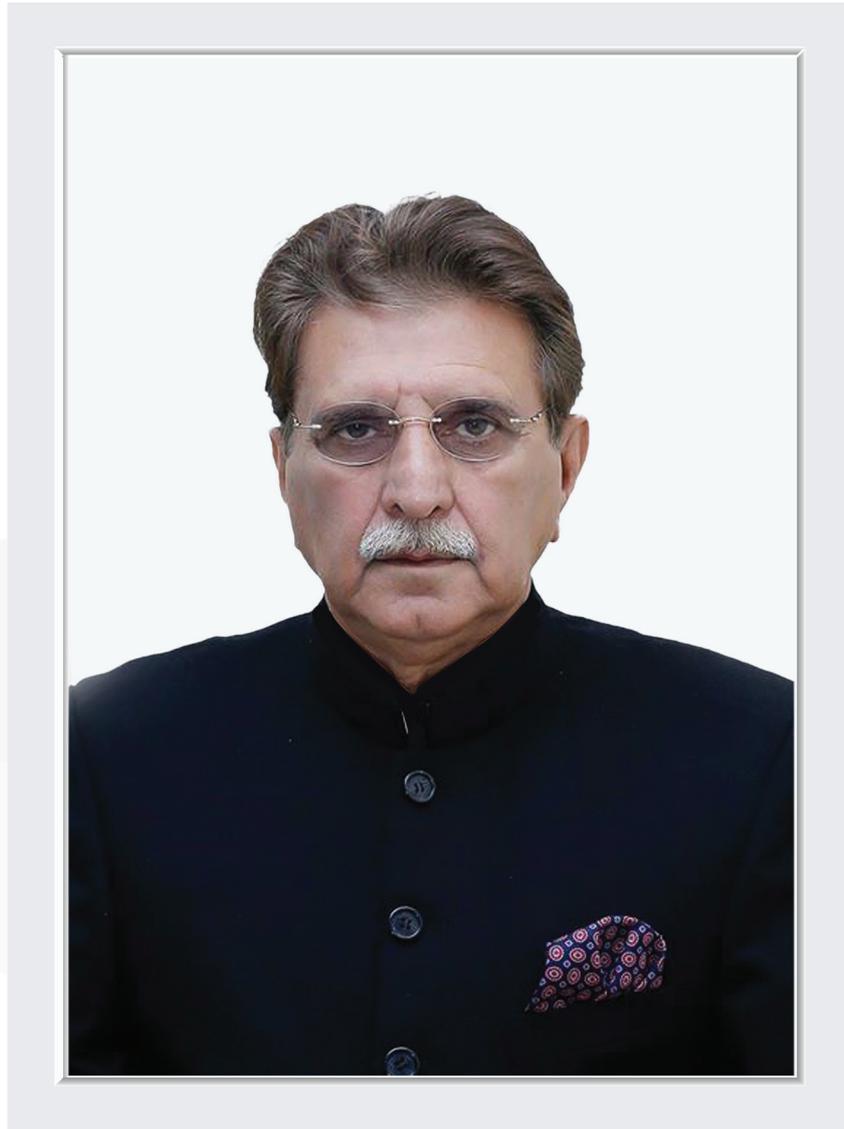
MESSAGE

I am convinced that the Bank of AJK is a committed partner of Govt. of AJK for socio-economic development of the State and well being of its people and playing a vital role through mobilization of untapped local resources, promoting savings and providing funds for investment in trade, commerce, industry and agriculture. Bank's policy of dispersal of credit to the real needy segment of society based on merit and equity that shall help strengthen the economic health of small businesses, entrepreneurs, and individuals. It is a leap forward for playing its role in the socio-economic uplift of the people of AJK. The Bank's various initiatives for promotion of its business and image building regarding distribution of home remittances from Europe, Gulf and USA through its network in AJK are commendable. This initiative will go a long way to establish Bank's image and a great service to the people of AJK. In a nutshell all policies and programs of the bank are therefore directed, designed, developed and executed to promote economic activities, creation of employment opportunities and to reduce poverty.

At the same time bank's constant increasing profitability and sizeable contribution towards Government exchequer in shape of income tax, is yet another feather in their cap. It is satisfying that the bank in a short span of time has emerged as a profitable financial institution providing services to a customers' franchises all across the state.

The trust reposed by the customers and outreach of the bank to far-flung locations where other banks are not present showing that the bank supports the SBP' concept of financial inclusion by providing access of financial services to lesser-privileged people. If the achievement of the Bank, at its infancy stage, is taken as an indicator, the forth coming years will Insha Allah witness tremendous expansion and become symbol of a new era of progressive banking and professional competence, aiding in the economic development of the State. The bank's current operations and future plans backed up by a strong determination and commitment of the management, demonstrate the capacity of the bank to arise as a successful commercial bank of the state in near future.

I pray to Allah to grant strength and perseverance to the Bank team to meet the challenges and take strides towards achievement of its goals and objectives and emerge as premier institution of the State in line with its vision. Ameen.



RAJA MUHAMMAD FAROOQ HAIDER KHAN

Prime Minister, Govt. of AJ&K

MESSAGE

Bank of AJK is at the cusp of its important journey and completed 12 years of Bank's incorporation on 31st October 2018. It is such a moment that enable us to understand the BAJK's contribution to the socio-economic landscape of AJK. To me, it is all the more important and vital for the State of Azad Kashmir particularly. It is vital because unless all our efforts are dedicated towards economic development of the State, betterment of the lot of the poor and establishment of a society on a self-sustaining basis will continue to remain a landmark.

AJK today represents a growing market of customers with an appetite for quality banking services. The area is a potential market for banks ensuring reasonable growth both in terms of deposits and other products such as retail banking, remittance services and project financing. The Government of AJK is taking all necessary measures helpful in creation of an enabling environment for the further growth of the banking sector by removing impediments on the way of its progress. In view of the potential and desire of the people of the State of Azad Jammu & Kashmir and also to mobilize savings conducive for its progress and prosperity, Bank of Azad Jammu and Kashmir justifying its establishment has emerged as a profitable corporate entity of the Government of Azad Jammu and Kashmir. Impressive performance in a competitive environment and its role as a national institution dedicated to bring a socio-economic change by providing banking services and extending credit facilities throughout the state deserves appreciation. Since its inception, the bank has grown both in terms of its footprints in different parts of the State as well as in terms of its growing deposit base and profitability, which is evident from the fact that currently, the bank has 70 branches in all 10 districts of the State.

I am fully aware of the challenges being faced by the Bank of AJK on account of its non-scheduled status and making utmost efforts to get the Bank scheduled with the State Bank of Pakistan in the shortest possible time. Meanwhile, all stake holder of this state owned financial institution need to repose their extended confidence in the bank and play due role for its sustainable growth. Being a state owned entity an ample portion of Government business should be routed through the bank by giving priority to this bank and is the only way forward to strengthen the state owned bank. They should devise a mechanism for this purpose government business and reassure the implementation of all directives issued earlier by the government in connection with handling of government business through the bank.

I am sure that the Bank of AJK will remain committed to create economic opportunities and to help elevate the quality of life of the people of the State, Meanwhile, I pray to Allah Subhan-O-Ta'lla to shower His blessings and provide impetus to make this Bank a leading financial institution of the State.



MATHAR NIAZ RANA

Chairman Board of Directors

MESSAGE

It is a matter of privilege for me to be the Chairman of Bank of AJK and presenting Annual Report for the 12th year of the Bank's foundation. This Annual Report, yet again, is a testimony of the effectiveness of the Bank's business model and robustness of its strategies. It demonstrates our resolve to build further on our accomplishments and strengthens, the conviction entrusted by the Govt. of AJK and more than 150,000 relationships.

The priorities of BAJK will be positioning in the market by acquiring the scheduled status. In this chase, concerted efforts are being made to make a convincing business case for the stake holders to muster their support in all directions including legal and financial. The Bank is targeting the establishment of a new institutional image in the market to augment the growth rates in a manner that reflects its optimistic vision for the future of the State's economy particularly in the light of the stability of the political conditions.

In today's banking environment, the Information Technology has become a cutting edge by overtaking all other aspects. The use of IT in banking operations has become inevitable for customer service, internal controls, Risk Management, meeting the KYC/AML requirements and overall economy and efficiency of operations. In this regard strong technology support will be arranged to remain competitive in the market. All functional areas of the bank will be equipped with technological advancement for acquiring sophisticated banking environment.

I am sure, the Management of the Bank reaffirms its strong commitments supported by the efficiency of its professional team, confidence of the Govt. of AJK and their strong desire to overcome the challenges of the present time and their swift response to the requirements of and near future.

I expect significant improvement in the operating environment of the bank. I am fortunate to be part of this Bank to witness the Bank's transformation from its non-scheduled status to a reputable Scheduled Bank. I assure for value driven Banking facilities and services in the efficient and effective manner for the overall growth of economy consistent with the socio-economic objectives of the Bank. I myself and the entire team of the Bank rededicate ourselves for future of this bank which appears promising. All the vital parameters indicate a favorable operating environment in the near future. With the continued patronage and support of its customers, Bank of AJK will achieve newer heights in business for the mutual benefit of all stakeholders.



IMRAN SAMAD

President/CEO

MESSAGE

The Year 2018 also witnessed a number of significant achievement for BAJK. The Bank continued to clean up its balance sheet and take every possible available step to ensure recovery of legacy non-performing loans portfolio, tremendous business growth in last two years has paved the way for a new vision and unfold a new era of sustainable growth.

While growing the asset base, it has been ensured that new relationships are within the overall risk appetite of the Bank and credit lines are only allowed to credible borrowers. Bank of AJK obtains 100% of its deposits locally from the State of AJK and reinvests that money in local housing, businesses and through other consumer financing needs. Despite our small size in the financial services marketplace, Bank of AJK is the top Bank of the State in terms of its Advances Deposits Ratio (ADR) and 4th in terms of Branch network in AJK with a cluster of 70 branches. The senior management team very strongly focused on key operational areas i.e improvement in services, maintain low cost deposits, reducing Non-earning assets and expense rationalization.

In 2019, the national economy' signs continue to be strong for housing and employment but still there is increased volatility in the stock market and a level of uncertainty nationally in the areas of trade, politics and interest rates. However, potential headwinds remain due, and I am hopeful that the economy may continue its expansion this year and perhaps in to the next due to the expected IMF agreement in 2019.

I offer my sincere thanks to the talented and dedicated employees at the Bank of AJK. The twelve years history of BAJK is a story of the people who have contributed to its success through their commitment to public service. Again we are committed to work for continued expansion and to keep our assets quality as high as possible and expect to have a good year of lending and deposit retention. Obstacles may come our way, but our entire team of bankers is up to the task and will put in the efforts to succeed. We are excited about our future and opportunities lie ahead.





DIRECTORS' PROFILE



Mathar Niaz Rana
Chief Secretary AJK/Chairman

Mr. Mathar Niaz Rana is the Chairman Board of Directors of BAJK and Chief Secretary to the Government of Azad Jammu and Kashmir. He belongs to prestigious DMG service. He has assumed the office of 48th Chief Secretary of Government of AJK on February 02, 2019. He is credited with vast experience in management and administration which includes various key hierarchical administrative positions at federal and provincial governments. Prior to assuming the appointment on current assignment, he has served on important positions in the Islamabad Capital Territory Administration, Federal Government and Governments of Punjab and Baluchistan. He is an engineering graduate of UET Lahore and also educated at worlds famous centers of excellence like Imperial College, Business School, London, London School of Economics and NDU Islamabad.



Imran Samad
President/CEO

Mr. Imran Samad CEO & President of BAJK is steering the bank since November 2016. He has diversified and vast experience in banking spreading over three decades. After completing his MBA, he started his career with PICIC as financial analyst and worked in various capacities and held key positions to deal with industry and finance. He has rich experience of dealing with domestic banking sector and multilateral agencies. At PICIC he dealt with large industrial and commercial groups as Head of Corporate Financing and late as Country Head, Retail Banking. He is a diplomaed associate of IBP. He is well-known for his expertise in Corporate Finance, Retail Banking, Consumer Finance, Islamic Banking, Agriculture Finance, SMEs, Micro Credit among the bankers of the country. He has contributed many articles on the issues relating to banking industry and is also known as a leading resource person on banking and finance. He has served NIB Bank as a Senior Executive and had also been associated in turning around The Bank of Khyber first in the capacity of EVP & Group Head and also as Managing Director. In view of his excellent credentials in areas of banking and finance, he has been appointed as member of Board of Investment and also member of State Tourism Executive Committee (STEC) by the Government of AJ&K.



Farid Ahmad Tarar
Director

Mr. Farid Ahmad Tarar is Secretary Finance, Azad Government of the State of Jammu and Kashmir and Director of the Board of BAJK. He is a carrier civil servant belonging to Pakistan Audit and Accounts Service. Mr. Tarar did his M.B.B.S from King Edward Medical College. He holds MBA Finance (Institute of Business Administration, University of Punjab) and M.Sc. Accounting & Finance (Manchester Business School, University of Manchester, UK). During his carrier spanning over more than 23 years, he has worked on number of challenging and multifarious assignments relating to Public Policy, Finance, Taxation, Trade, Fiscal, Monetary, Economic & Investment Policy's design, development and implementation. Prior to joining the Government of AJ&K as Secretary Finance, he has served as Commercial Counsellor, Embassy of Pakistan, Rome, Italy, Member Punjab Revenue Authority, Additional Secretary (Budget & Resources), Finance Department Government of Punjab and other assignments relating to Public Finance, Project Management etc. He has also been working closely with the multilateral Donor Agencies like World Bank, Asian Development Bank and DFID for initiating and implementing far-reaching reforms in areas of Governance, Justice and Project Management. He has remained on the panel of guest speakers and as resource person for lecturing and training in Public Financial Management at Civil Service Academy Lahore, Pakistan Audit & Accounts Training Institute, National Institute of Management (NIM) Lahore, Punjab Resource Management Department and Lahore University of Management Sciences (LUMS). During his carrier, he has attended various training courses including Senior Management Course, Course Social Safety Nets (Washington DC at World Bank Headquarters), Economic Policy and Management (International Unit, National Institute of Public Administration, Kualalumpur, Malaysia), Seminar/Workshop on Public Private Partnership (IFC headquarters, Dubai), Project Management (Business Management Consultants, USA) etc.



DIRECTORS' PROFILE



Fayyaz Ali Abbasi
Director

Mr. Fayyaz Ali Abbasi Senior Member, Board of Revenue (SMBR) and Director Board BAJK holds a Master's Degree in Development Management from London School of Economics and Political Science (LSE) and also a Masters of Philosophy (M. Phil.) Degree in International Relations and Affairs from reputed Quaid-e-Azam University, Islamabad. He belongs to District Management Group of AJK Civil Service and has served as Assistant Commissioner, Deputy Commissioner and Commissioner all over AJ&K. Besides this, he has vast experience in management, administration and planning at his credit which includes holding of various top hierarchy administrative positions and has headed various departments as Secretary to Government of Azad Jammu and Kashmir in addition to serving as Principal Secretary to the Prime Minister, AJ&K.



Engr. Abid Hussain Awan
Director

Mr. Abid Hussain Awan is the Secretary to the Government of Azad Jammu & Kashmir. He is currently posted as Secretary Industries, Labour & Mineral Resources/AJK BOI. He is Holding academic qualifications in the field of Electrical Power Engineering from University of Engineering & Technology Peshawar, Pakistan and University of Trondheim Norway. He has served on various administrative positions of the State in the respective field. He has attended various trainings / courses and practically implemented the same for promotion of energy strategies and activities in the State. He also has a vast experience in monitoring, evaluation and implementation of power distribution and hydro-power projects including tendering, material inspection and procuring as per standard specifications. He has more than 35 years' experience in public sector holding various key positions. Under his visionary leadership, he managed power distribution department with around 5000 employees and Industries, Commerce, Labour and Mineral resources departments as well. Due to his vast experience and idealistic control, AKISC has become a sound contributor to the Small Industries Development in the state through its various schemes and has proved its strength by exhibiting a progressive outlook towards modernization, up-gradation of technology, quality consciousness, strengthening linkages with large & medium scale enterprises.

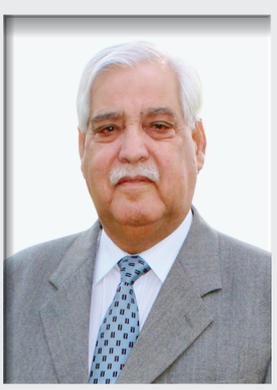


Dr. Shehla Waqar
Director

Dr. Shehla Waqar is Secretary to the Government of Azad Jammu and Kashmir, heading the Forests, Wildlife, Fisheries and AKLASC. She has done her Masters from University of London and has headed various important administrative positions in the state. She has vast and diversified experience in planning, finance, education, tourism, IT, agriculture, livestock and information sectors at various departments of Government of AJK. She has attended large number of training programmes conducted by World Bank and UNHCR in USA, India, Australia, England and Pakistan. She is also on the Board of Directors of Azad Kashmir Logging and Sawmills Corporation (AKLASC).



DIRECTORS' PROFILE



Raja Mumtaz Ali
Director

Raja Mumtaz Ali Director Board of the Bank of Azad Jammu and Kashmir is a Law Graduate and also holding Diploma in Banking from the Institute of Bankers Pakistan (IBP). He has rich and diversified experience in Banking and has held key Management positions at Habib Bank Ltd. and Allied Bank Ltd. His stint in banking sector spreads over a period of four decades. He has the honor to be the pioneer Managing Director/CEO of BAJK. During initial critical period of treading of the Bank he successfully erected the structure of the Bank on sound footing and in a very short span made it emerged as a viable and profitable corporate entity of the state. He served the Bank for five years (i.e., from September 2006 to August 2011), leaving behind the legacy of continued successes and significant achievements.



Ejaz Hussain Rathore
Director

Mr. Ejaz Hussain Rathore is a Fellow Member of the Institute of Chartered Accountants of Pakistan. He is in public practice since 1990, and is presently Senior Partner/Partner-in-charge of Islamabad Office of PKF F.R.A.N.T.S., Chartered Accountants, a member firm of PKF International, providing professional services to a wide range of clientele. Taxation and business consultancy are the fields of his special interest. Mr. Rathore is Member of the Board of Investment set up by the Government of Azad Jammu & Kashmir. He possesses Certified Director Certification, as per Pakistan Institute of Corporate Governance criteria, and has served on the Board of Directors of various organizations, representing the Government Interests, including Oil & Gas Development Company Limited, Agricultural Development Bank of Pakistan, Pakistan Broadcasting Corporation and Islamabad Stock Exchange (Guarantee) Limited. He has also participated as a delegate in many national and international conferences.



Naveed Sadiq
Director

Mr. Naveed Sadiq Director on the Board of the Bank is appointed as Chairman Board of Investment by Government of AJ&K. He is a reputable business professional bringing with him rich and diversified experience in the fields of construction industry, imports exports and real estate in international business hub of Dubai. After coming to Pakistan way back in 2009 he has further diversified his entrepreneurial pursuits by including marketing and tourism development in his business domain. Presently, he is CEO of Transfreight Citi and Industrial Park Pvt. Ltd and Al-Sadiq Marketing Pvt. Ltd. He is a well travelled person having deep interaction with top business houses. He possesses innovative mind and entrepreneurial insight.

CORPORATE INFORMATION

Board of Directors

Mathar Niaz Rana, Chief Secretary, AJ&K

Imran Samad

Farid Ahmad Tarar, Secretary Finance, AJ&K

Fayyaz Ali Abbasi, SMBR, AJ&K

Dr. Shehla Waqar, Secretary Forests, Wildlife, Fishries, AJ&K

Abid Hussain Awan, Secretary Industries, Commerce,
Mineral Resources & Labour, AJ&K

Ejaz Hussain Rathore, Chartered Accountant

Raja Mumtaz Ali, Senior Banker

Naveed Sadiq, Renowned Businessman

Chairman

President/CEO

Member

Member

Member

Member

Member

Member

Member

Executive Committee

Farid Ahmad Tarar

Imran Samad

Abid Hussain Awan

Chairman

Member

Member

Audit Committee

Fayyaz Ali Abbasi

Farid Ahmad Tarar

Ejaz Hussain Rathore

Raja Mumtaz Ali

Chairman

Member

Member

Member

IT Committee

Abid Hussain Awan

Imran Samad

Dr. Shehla Waqar

Ejaz Hussain Rathore

Chairman

Member

Member

Member

Company Secretary

Maazullah Khan

Auditors

Deloitte Yousuf Adil

Chartered Accountants

Registered Office

Bank Square, Chattar Domel, Muzaffarabad AJK



MANAGEMENT TEAM



Maazullah Khan
Divisional Head Operations/HRMD



Syed Aftab Hussain Gillani
Divisional Head SAMD



Muhammad Afsar
Chief Compliance Officer



Abdul Hameed Raja
Divisional Head A&D



Shahid Shahzad Mir
CFO



Muhammad Akram Awan
Divisional Head CAD / CMD



Ahtesham Malik
Divisional Head IT



Zamurrad Hussain
Regional Controller North



Hafeezullah
Regional Controller South

MANAGEMENT FUNCTIONARIES

PRESIDENT'S SECRETARIAT

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President/CEO
ceo@bankajk.com

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COMMERCIAL & RETAIL BANKING DIVISION

Divisional Head

Naveed Ahmad
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Raja Ghulam Mustafa
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Liaqat Awan
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FINANCIAL CONTROL DIVISION

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CREDIT MANAGEMENT DIVISION

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REGIONS

Regional Office North

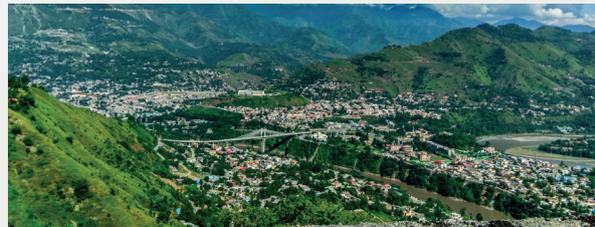
Near Shah Anayat Darbar,
Upper Adda Muzaffarabad

Zamurrad Hussain
Regional Controller
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Zonal Office Muzaffarabad

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Zonal Office Rawalakot

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(Ex-Mang Road)

Muhammad Imtiaz Shaheen
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Regional Office South

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Hafeezullah
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Zonal Office Mirpur

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AT A GLANCE

TEN YEARS AT A GLANCE

2009-2018

Rupees in
"000"

Balance Sheet	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Assets	12,411,342	10,840,659	8,936,321	8,455,430	7,585,052	6,204,423	5,401,333	4,513,683	3,416,518	2,747,618
Advances (net)	2,028,938	2,407,853	2,609,430	2,833,606	2,256,907	1,678,147	1,101,286	952,880	330,283	163,095
Investment	175,869	339,791	604,748	1,150,465	1,172,192	203,549	225,397	297,877	239,164	286,640
Equity	1,153,588	1,063,234	949,321	880,496	810,331	730,328	683,900	537,934	484,086	392,602
Deposits	11,063,203	9,547,215	7,845,625	7,440,877	6,642,949	5,367,895	4,599,756	3,883,035	2,876,846	2,308,897

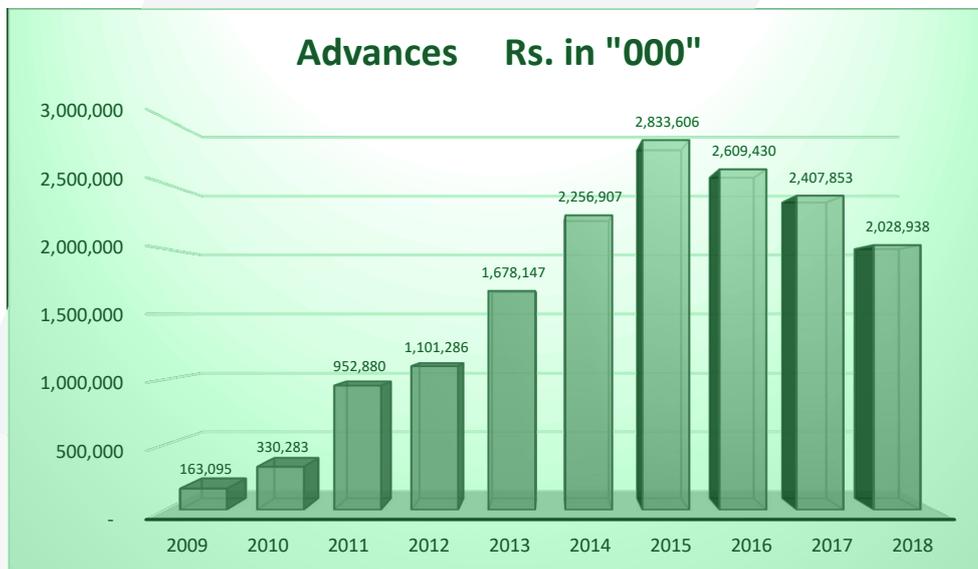
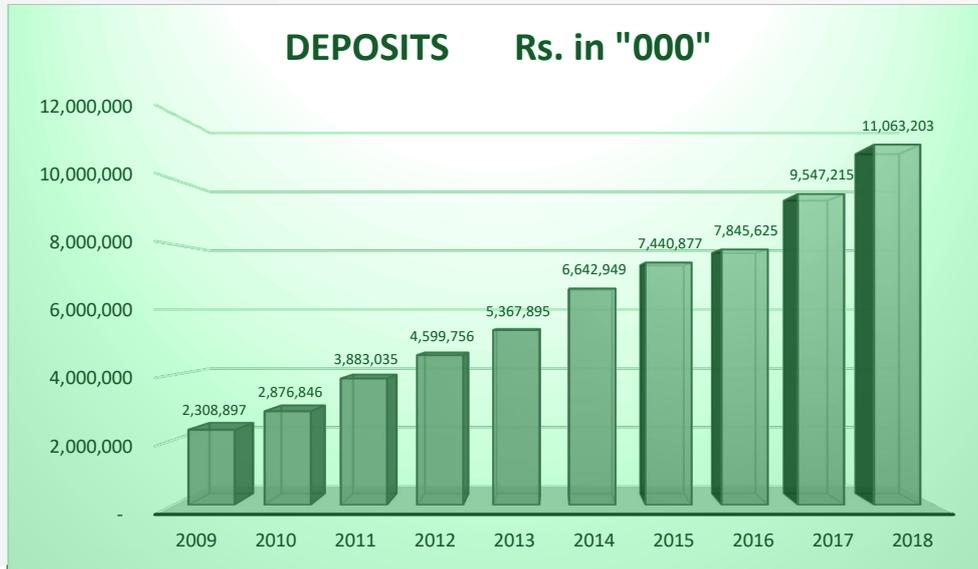
Operating Results

Mark-up / return / interest earned	935,967	842,870	808,798	794,704	723,400	561,905	555,254	425,887	347,278	295,081
Mark-up / return / interest expensed	385,101	327,143	333,382	375,948	377,681	319,836	292,931	176,427	145,644	114,882
Net Markup Based Income	550,866	515,727	475,416	418,756	345,719	242,069	262,323	249,460	201,634	180,199
Non Markup Based Income	21,689	51,502	50,738	38,962	56,495	45,363	46,235	18,702	26,757	8,039
Non Markup Based Expenses	421,995	363,072	324,969	285,260	243,351	206,658	158,856	118,238	94,477	69,325
Operating Profit	150,560	204,157	201,185	172,458	158,863	80,774	149,702	149,924	133,914	118,913
Provision	(22,053)	(63,016)	111,577	47,018	52,845	18,174	9,192	72,689	997	7,624
Net Profit/(Loss) Before Tax	172,613	267,173	89,608	125,440	106,018	62,600	140,510	77,235	132,917	111,289
Net Profit/(Loss) After Tax	99,893	157,084	50,706	70,165	80,003	46,428	95,814	52,848	92,484	70,551

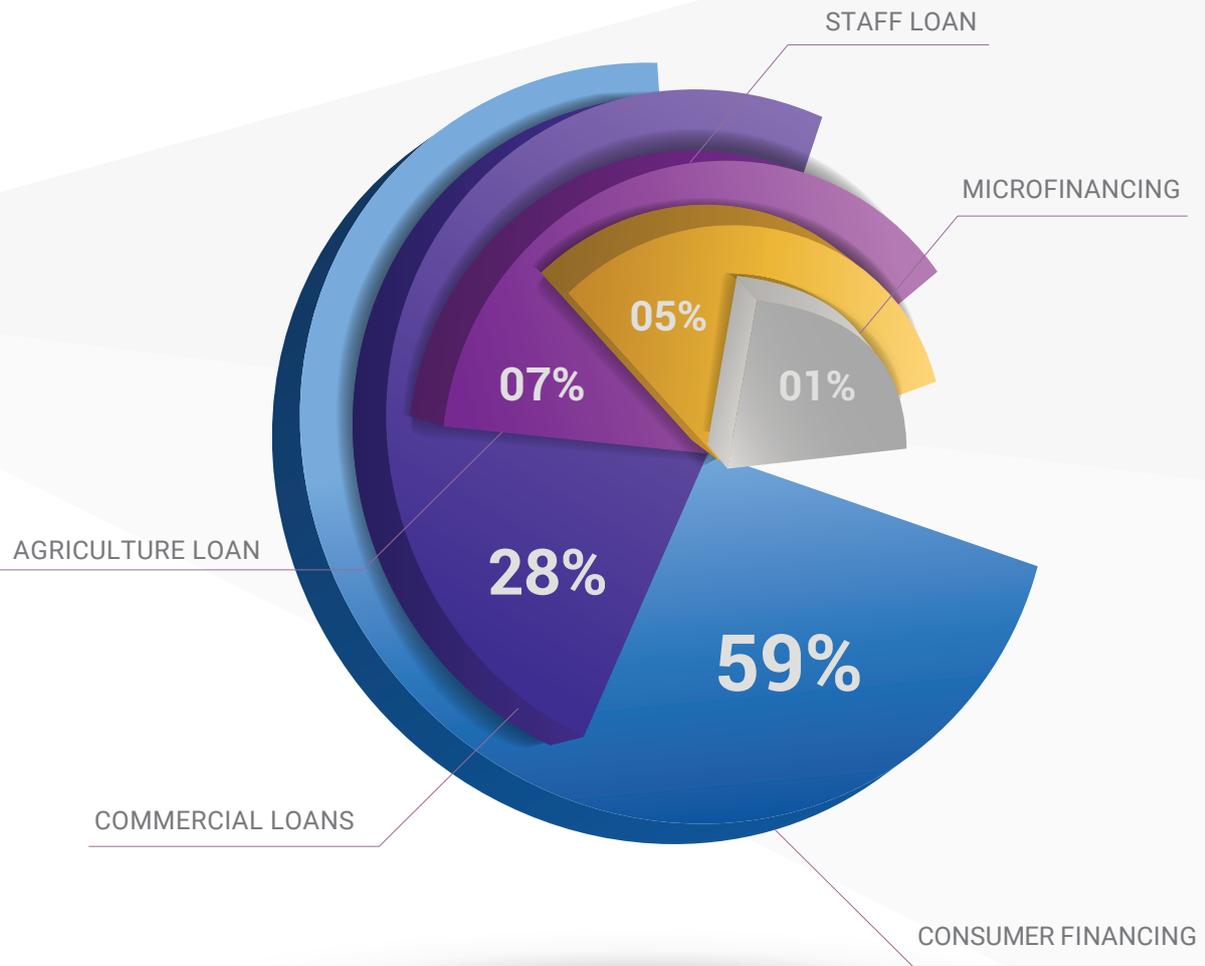
Other Information

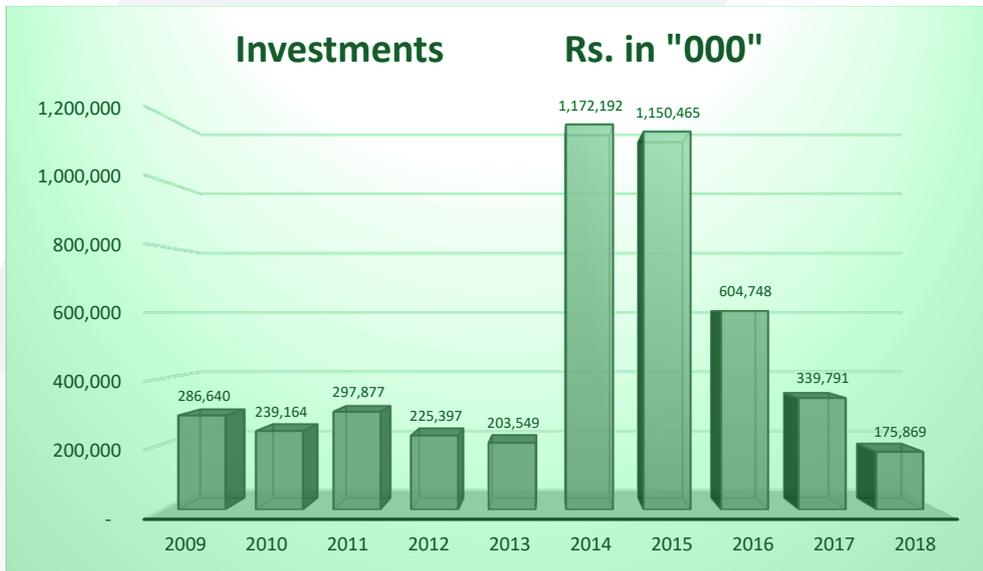
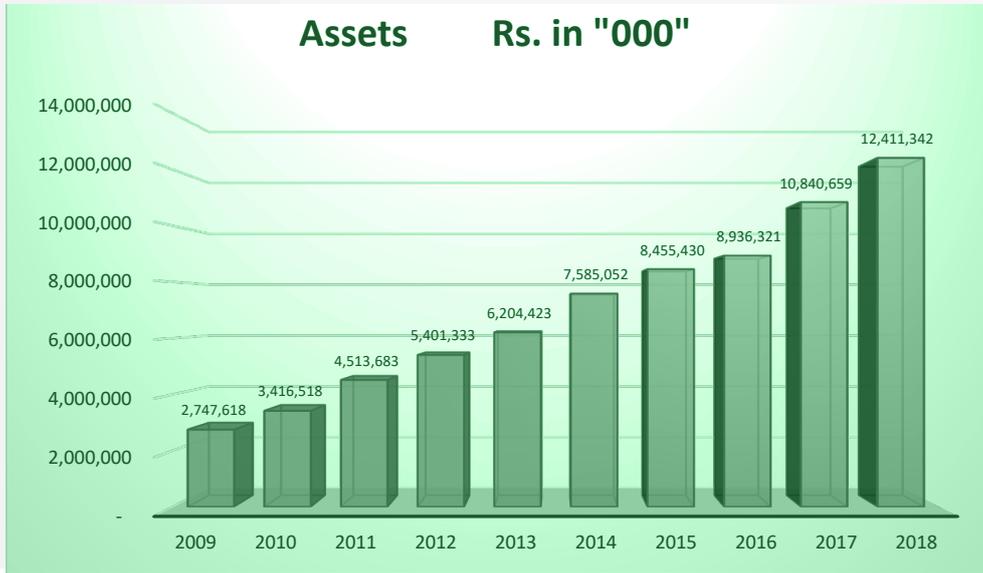
Earning per share (Rupees)	1.07	1.68	0.65	0.89	1.22	0.72	1.66	1.00	1.93	1.46
Number of Branches	70	68	65	64	59	52	52	50	45	35

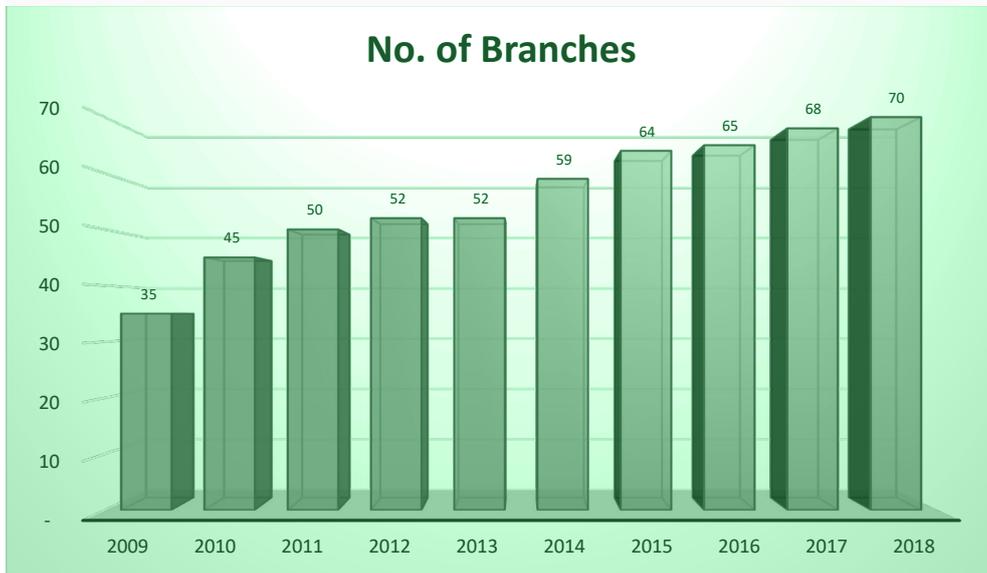
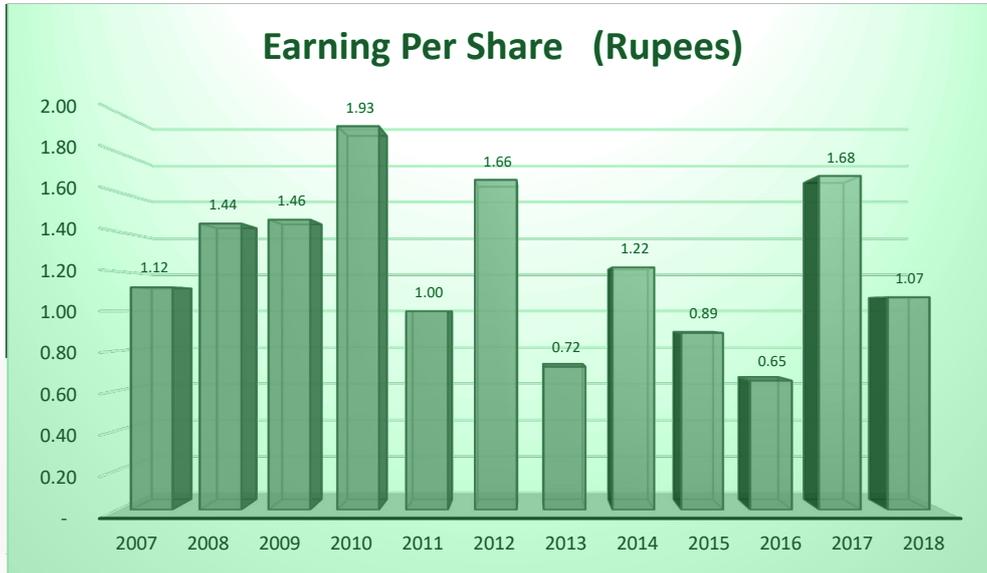
FINANCIAL HIGHLIGHTS

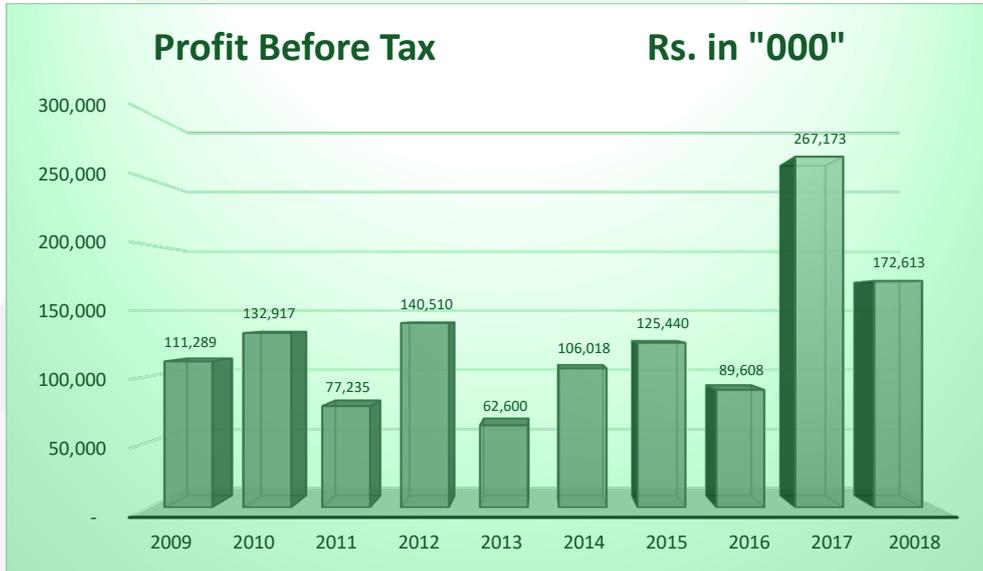
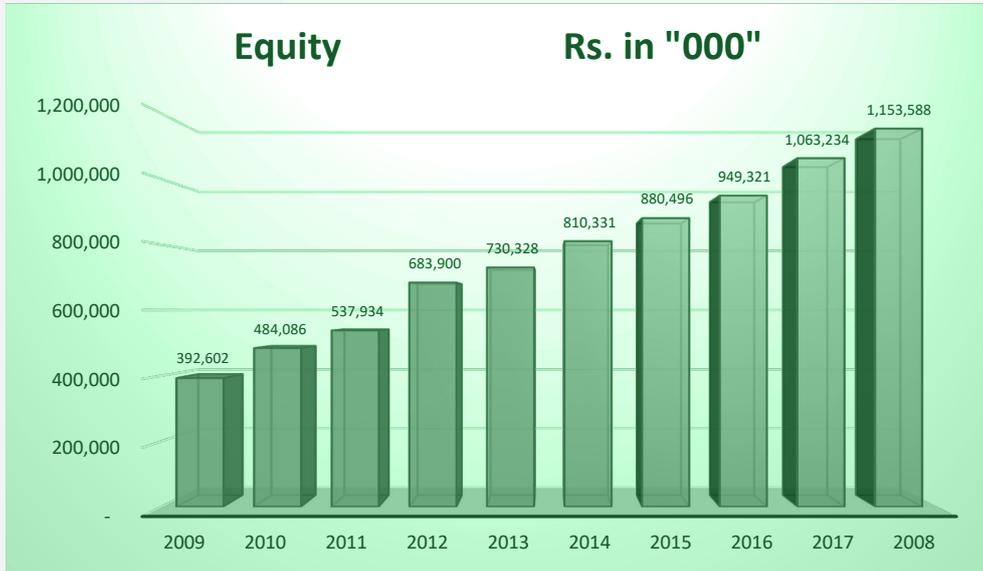


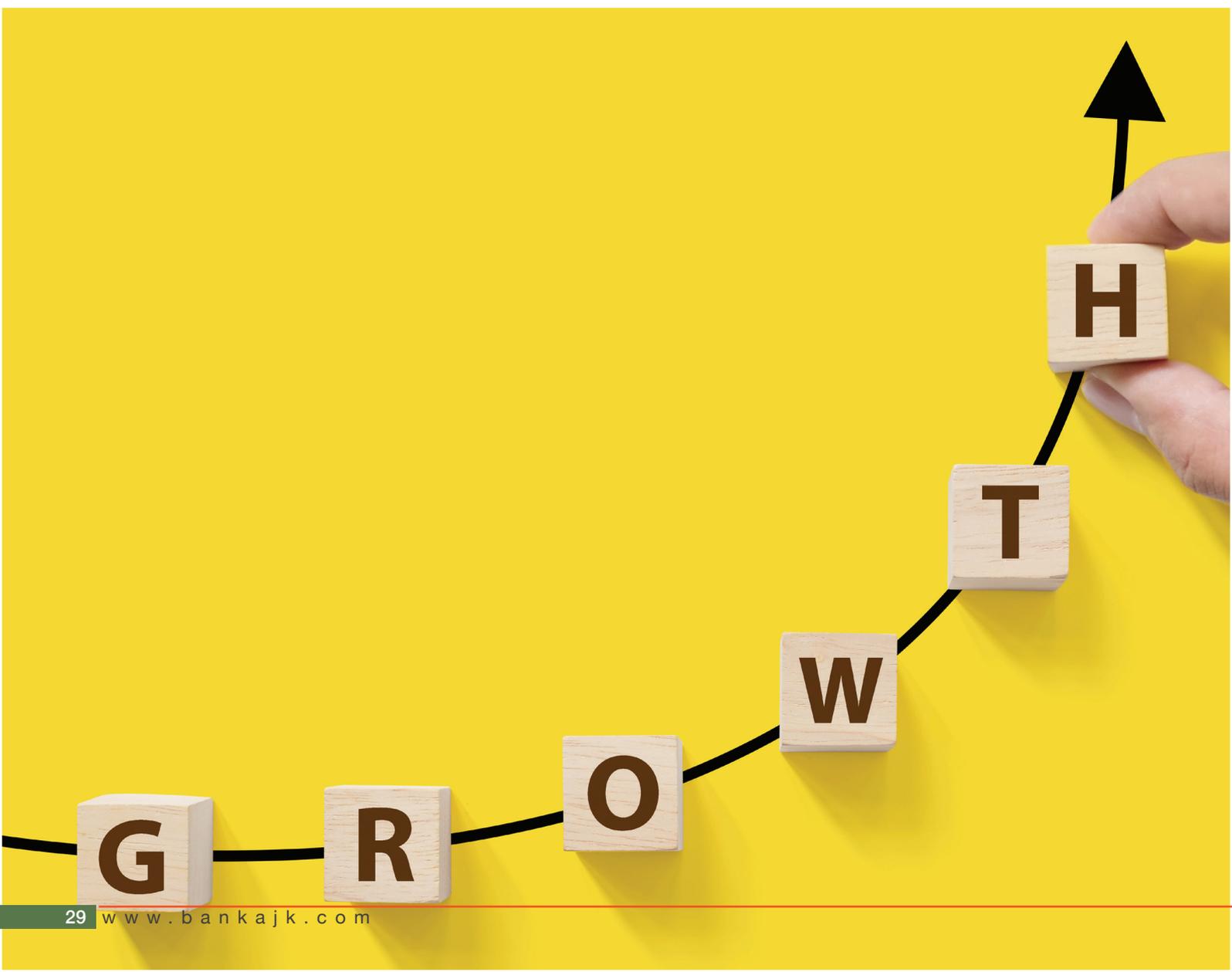
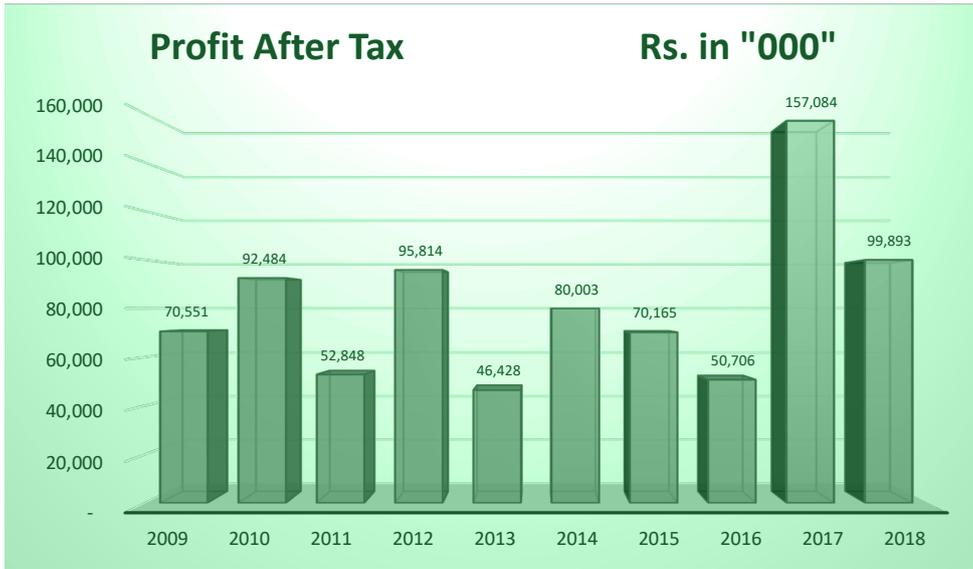
Advances Mix (%)













CUSTOMIZED PRODUCTS





Commercial Finances

- AKSIC Customized Lending
- Running Finance
- Demand Finance
- House Finance
- Auto Finance
- Tourism Promotion Finance
- Healthcare Services Finance

Agriculture Finances

- Agri Production
- Agri Development

Consumer Finances

- Salary Sakoon
- Hamsafar Car Finance
- Motorcycle Loan
- Zindagi Easy Loan
- Gold Loan
- Home Appliances Finance
- Nasheman House Finance

Micro Finances

- Micro Finance
- Women Economic Development Finance

DIRECTORS' REVIEW REPORT



Dear Share Holders,

Your Board of Directors have pleasure to present the 13th Annual Report together with Audited Statement of Financial Position, Profit and Loss Account and report on business and operations for the year ended 31st December 2018.

Economy

During Calendar Year 2018, Pakistan's economy experienced considerable changes on many fronts. Political set up witnessed a change of government and the new regime had to face challenges on the economic front. As a result, in 2018 policy rate was raised by 425 basis points from 5.75% to 10.00%. The PKR parity was devalued by about 25% from PKR 110.52 to PKR 138.86. Real GDP growth FY 2018 at 5.8% fell short of the 6.0% target and has since taken a further downward path. IMF sees Pakistan GDP growth to fall at 4% and 3.5% in FY 19 and FY 20, respectively.

According to international rating agency, Fitch, Pakistan's fiscal deficit is expected to increase from 5.8% in FY 2018 to 6.0% in FY19. Current account deficit was lower by 4.4% at US\$ 8bn during July to December 2018 as compared to a deficit of US\$ 8.4bn last year. Persistent current account deficit has continued to put downward pressure on SBP FX Reserves which fell to USD 7.2bn at year end 2018. Support from bilateral flows has helped to shore up declining FX Reserves. It is expected that a financing facility from IMF will be finalized in the coming months that may ease some pressure on FX Reserves at the cost of strict external and fiscal conditions. On the fiscal front, the Government continues to rely on borrowings from SBP which may further increase inflationary pressure. To extend support to the economy the Government in January, 2019 announced a mini-budget mainly to support large scale manufacturing (LSM) and agriculture.

On the fiscal side, healthy growth in revenues could not keep pace with increasing expenditures, particularly, the development expenditures pertaining to infrastructure and power projects increased sharply with a major contribution from provinces.

On the external front, current account deficit during Jul-Jun FY18 was measured at USD 18.989 billion, The highest ever for Pakistan. Despite several rounds of devaluation of PKR against USD, Jul-Dec FY19 current account deficit stood at approximately USD 8 billion, only US\$ 350 million less than that of the corresponding period last year. Remittances, however, increased by 10% during Jul-Dec FY19. Overall, trade deficit remains a major challenge as exports have still not seen a major positive shift.

Banking Sector

The growth in the asset base of the banking sector has moderated during 2018, primarily, due to decline in net-investments. On the other hand, advances have increased. Encouragingly, advances to private sector have continued their broad-based upward trajectory with sugar, energy, and cement sectors along with individuals being the major borrowers during the reviewed period. However, sector specific factors coupled with tightening of macro financial conditions may possibly have slowed down the growth in fixed investment advances. On the funding side, deceleration in deposit growth remains a concern.

The overall risk profile of the banking sector has improved in FY 2018, mainly, due to strengthening capital adequacy and improving asset quality. Capital Adequacy Ratio (CAR) has inched up to 15.9 percent and NPLs to loans ratio has come down to 7.9 percent—lowest since 2008. Banks' after-tax earnings, however, have declined by 14.7 percent due to lower gain on sale of securities, provisions and increase in administrative expenses. A majority of the local banks faced a significant drop in their profit growth in FY 2018.

Local banks with foreign operations also faced a tough time in different countries. The overall profit of the Pakistani banking industry dropped by 41 percent or Rs 2 billion in its overseas market. Its profit stood at Rs. 2.8 billion which was earlier reported Rs. 4.8 billion and Rs. 5.9 billion during the same period in FY 2017 and FY 2016 respectively.

Besides these major challenges encountered by Pakistani banks, there are many other issues being faced by the banking sector such as the availability of trained human resources, the rising cost of operations, non-performing loans, etc.

The recent story of fake accounts and account holders proved to be a silver lining for the banking industry. All commercial and microfinance banks have undergone a challenging task this year and will verify their account-holders till the mid of the starting year.

The biometric re-verification process is a major corrective drive which will not only decide the actual base of the country's bank account holders but it will also reveal flaws in the banking mechanism and practices of bankers. Out of a total 50 million accounts, many of the dormant accounts made in the past many decades are likely to be closed off.

Bank's Performance Review

Particulars	Rs. In Million	
	December 31, 2018	December 31, 2017
Balance Sheet		
Deposits	11,063	9,547
Advances (net of provision)	2,029	2,408
Total Assets	12,411	10,840
Capital and Reserve	1,154	1063
Non-Performing Loans	253	295
Remittances (No. of Transaction)	7,793	4,639
Profit and Loss		
Income	958	894
Deposit Cost	385	327
Net Interest Income (NIM)	573	567
Admin Expenses	422	363
Operating Profit	151	204
Provisioning	-22	-63
Profit Before Tax	173	267
Taxation	73	110
Profit After Tax	100	157
Earnings per Share (Rupees)	1.07	1.68

On the total Markup income side, the Bank reported an increase of Rs. 64 million (11%) whereas on the interest expense side, the Bank registered an increase of Rs. 58 million over last year. To supplement its net interest margins, the Bank remained focused on increasing its low cost deposit base and venture in higher-yielding assets. On the non-markup income front, the Bank reported a base of Rs. 22 million with the decrease of 57% over last year mainly due to significant capital



market volatility in the later half of the year. During 2018, as the spreads further squeezed, business margins were challenged, hence, the bank booked before tax for the year of Rs. 151 million as compare to Rs. 204 million last year 2017. The management is focusing to reduce its funding cost further; thereby improving its spreads. Meanwhile, given recent capital compliance with reduced MCR, bank needs higher level of Capital to obtain scheduled status and to compete in the market with rising compliance standards & technology innovations.

Asset base of the bank has reached to Rs. 12.411 billion from Rs. 10.841 billion, reflecting a health increase of 14.48% over December, 2017. The net advances have shown decrease of 15.73% while deposit portfolio register an increase of 15.87% over 31 December 2017.

External Annual Audit

The financial statements of Bank of AJK have been audited without any qualification by the auditors of the Bank, namely M/S Deloitte Yousuf Adil, Chartered Accountants. The present auditors retire and being eligible, offer themselves for re-appointment for the financial year ending 31 December, 2019 in the forthcoming Annual General Meeting.

Financial Statements Format:

The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the existing format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format, effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared the financial on the new format prescribed by the State Bank of Pakistan. There are significant changes in the format of disclosures in the new financial statements as compared to the previous format.

Capital Adequacy Ratio (CAR) and Earning Per share

The Capital Adequacy ratio (CAR) under BASEL-III stood at 19.54%, as on 31st December 2018, which is above the norm of 12.5% stipulated by the State bank of Pakistan. Similarly, the Tier-I component of CAR stood at 19.22%, as on 31st December, 2018 which is much above the norm of 6% stipulated by the State Bank of Pakistan.

Home Remittances

BAJK is emerging as a leading player in the home remittance business in the state of Jammu and Kashmir. The Bank has supportive arrangements and extensive network of its seventy branches facilitating

payment of inward home remittances at fast track level with convenience and speed. Agency arrangements with leading exchange companies such as Money Gram, RIA have been strengthened and further streamlined. Under these arrangements a fast and convenient payment system is in place for payment of inward home remittances in minutes through dedicated desks in all the branches.

Evaluation of Internal Control

The Bank has an independent Internal Audit Division that conducts audit of all Branches, Zones, Regions and Divisions at Head Office on an ongoing basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to Audit, Compliance and Credit Administration Division is also in place at both Regional offices to take care of compliance related issues of operations and Credit to strengthen the control environment. For the year 2018, the bank has made its best efforts to ensure that an effective Internal Control System continues to perform in letter and spirit. The observations made by the external and internal auditors are reviewed and measures are taken by the management to address the control weaknesses.

We assess that the Internal Control environment is showing signs of improvement as compared to previous years in all areas of the bank reflecting external auditor's letter addressed to the Board for the current year. The bank is endeavoring to further improve its internal control strategy and assessment process as per guidelines issued by the State Bank of Pakistan. Additionally, Bank is making all possible efforts to improve the professional skills and competency level of the staff through need based training programs.

Human Resource Development

The Bank aims to utilize its human resources to the best of their capabilities so as to meet the organizational goals. To develop the human resources more effectively, the bank is currently in the process of revising the human resource policy developed earlier in 2012 to identify the best talent and provide them significant opportunities for growth and development. The bank endeavors to attract competent and well-motivated professionals in order to maintain a quality work life.

Training

During the year BAJK established training department of the Bank and Prime Minister of Azad Jammu and Kashmir inaugurated " Ch.Ghulam Abbas Learning Hall" established for initiating training activities for its employees. Training team of the BAJK continued its pursuit for quality training to the bank's staff according

to the approved training policy and requirements of the line management. During the year, various training programs are conducted for its employees at Muzaffarabad, Mirpur, Kotli and Rawalakot zones of the Bank enable them to improve their skills and professional competence.

Corporate Social Responsibility-CSR

We aim to conduct our business that creates value for our customers, clients, partners, shareholders and mostly important our State. We understand that being a good corporate State Subject Holder starts with serving responsibly. We have rooted this philosophy in our business operation, in BAJK culture and in our business decisions.

Meetings of the Board and its Committees

There have been five meetings of the Board of Directors (BOD), four meetings of Board Audit Committee (BAC), four meetings of Board Executive Committee (BEC) and four meetings of the Board' IT Committee (BIT) held during 2018.

Attendance by each director has been as follows:

Name of Directors	BOD		BAC		BEC		BIT	
	Total	Attended	Total	Attended	Total	Attended	Total	Attended
Chief Secretary/Chairman	05	05	-	-	-	-	-	-
Secretary Finance	05	05	04	04	04	04	-	-
Senior Member Board of Revenue	05	04	04	04	-	-	-	-
Secretary Forest & AKLASC	05	05	-	-	-	-	04	03
Secretary Industries	05	04	-	-	04	04	04	04
Mr. Imran Samad	05	05	-	-	04	04	04	04
Mr. Ejaz Hussain Rathore	05	03	04	03	-	-	04	04
Mr. Raja Mumtaz Ali	05	05	04	04	-	-	-	-
Mr. Naveed Sadiq	05	05	-	-	-	-	-	-

Future Outlook

The BAJK is committed to emerge as a premier financial institution of the State. Going forward, the priorities of BAJK will be positioning in the market by acquiring the scheduled status. In this chase, rigorous efforts will be made for making a convincing business case for the stake holders to muster their support in all directions including legal and financial. The bank's focus during 2019 will be, among other things on the following:

- For the Bank, asset quality will remain a focus area while revitalizing its lending within the selected segments. All lending activities will be driven by the only consideration of creating quality and earning assets for ensuring the sustainability of the operations and meeting the minimum requirements relating to risk management, corporate governance, customer due diligence (CDD) and anti-money laundering as laid down in SBP Prudential Regulations
- Efforts will be made to attract potential private sector investors both from within and outside the country for equity participation for meeting the minimum capital requirement to the maximum possible extent. Further, the management will continue to pursue the major shareholder i.e Govt. of AJK for an equity injection that address the issue of the minimum paid up capital in line with the regulatory directives strengthening the financial base of the Bank
- It will be ensured that all bank operations are in compliance of SBP Prudential Regulations and generally accepted banking norms and principles
- Professionals and competent management is the key requirement to remain competitive and ensure sustainability, hence, corporate professionals with broader outlook and impeccable record will be integrated in the management team
- Systems and controls play vital role in risk management, transparency and effectiveness of the operations besides cost effectiveness and customer service. In this regard strong technology support will be arranged to remain competitive in the market. All functional areas of the bank will be equipped with MIS for better management
- Bank of AJK will continue to play lead bank role for supporting the socio-economic development of the state, private sector initiatives in all potential sectors particularly hydropower, forestry, tourism, traditional handicrafts, health and education, having commercial viability will be fully supported.

Statements under Section 52(4) Of Bank's Bylaws 2007

The Board of Directors is fully cognizant of its responsibility under the Bank's Bye laws 2007. The following statements are a demonstration of its commitment towards continuous organizational improvement.

- The financial statements prepared by the management of the Bank, present fairly its state of affairs, the

result of its operations, cash flows and changes in equity

- Proper books of accounts have been maintained by the Bank
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards as applicable in Pakistan have followed and any departure there from has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. The Audit Committee of the Board meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place that are reviewed and monitored throughout the year to indicate and evaluate variances from the budget
- There are no doubts upon the Bank's ability to continue as a going concern

Acknowledgements

On behalf of the Board of Directors of the Bank I would like to express my tremendous gratitude to the Honorable President of the State and the Prime Minister of Azad Government of the State of Jammu and Kashmir for taking keen interest in patronizing and issuing directives to all government functionaries for extending their full cooperation in promoting Bank's activities. I am indebted to the support of Chief Secretary Govt. of AJK/Chairman of the Board for his visionary guidance and support to promote the activities of the bank. I also like to thank our outgoing Directors for the support and insights they had shared with us to move ahead for the improvement of the overall governance structure of the bank.

On behalf of the Board I also place on record the deep appreciation for the support and confidence of BAJK valued customers for their continued trust and patronage and valuable contribution of the staff at all levels for the progress of the bank during the year and look forward to their continued cooperation in realization of the corporate goals in the years ahead. We also have high expectations from the bank's management to turn this Bank around as quickly as possible.

May Allah Almighty bestow His blessings upon us.

For and on behalf of the Board of Directors

(Imran Samad)
President/CEO

INDEPENDENT AUDITOR'S REPORT



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Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BANK OF AZAD JAMMU AND KASHMIR

Opinion

We have audited the financial statements of the Bank of Azad Jammu and Kashmir (the Bank), which comprise statement of financial position as at December 31, 2018, and profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and its Bye-Laws 2007 (the Bye-Laws).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of financial statements in Pakistan and we have fulfilled our other responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Act and the Bye-Laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

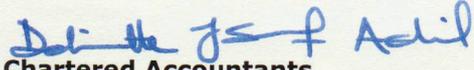
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Shahzad Ali.


Chartered Accountants

Islamabad

Date: March 29, 2019



**THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	Note	2018	2017 (Restated)	2016 (Restated)
ASSETS				
Rupees in '000				
Cash and balances with treasury banks	5	2,305,587	1,755,794	1,299,452
Balances with other banks	6	7,101,072	5,748,385	3,843,415
Lendings to financial institutions		-	-	-
Investments	7	175,869	339,791	604,748
Advances	8	2,028,938	2,407,853	2,609,430
Fixed assets	9	130,195	117,060	115,638
Intangible assets		-	-	-
Deferred tax assets	10	20,930	22,845	13,386
Other assets	11	648,751	448,931	450,252
		12,411,342	10,840,659	8,936,321
LIABILITIES				
Bills payable	12	19,582	31,808	8,716
Borrowings		-	-	-
Deposits and other accounts	13	11,063,203	9,547,215	7,845,625
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	14	174,969	198,402	132,659
		11,257,754	9,777,425	7,987,000
NET ASSETS		1,153,588	1,063,234	949,321
REPRESENTED BY				
Share capital	15	933,811	848,919	785,977
Reserves		-	-	-
Deficit on revaluation of assets	16	(18,935)	(9,396)	18,119
Unappropriated profit		238,712	223,711	145,225
		1,153,588	1,063,234	949,321
CONTINGENCIES AND COMMITMENTS	17			

The annexed notes 1 to 39 form an integral part of these financial statements.







President **Chief financial Officer** **Director** **Director** **Director**

**THE BANK OF AZAD JAMMU AND KASHMIR
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018	2017
Rupees in '000			
Mark-up / return / interest earned	18	935,967	842,870
Mark-up / return / interest expensed	19	385,101	327,143
Net mark-up / interest income		550,866	515,727
NON MARK-UP / INTEREST INCOME			
Fee and commission income	20	14,999	16,506
Dividend income		3,939	4,997
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities	21	-	27,616
Other income	22	2,751	2,383
Total non-markup/ interest income		21,689	51,502
Total income		572,555	567,229
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	23	421,995	363,072
Workers welfare fund		-	-
Other charges		-	-
Total non-markup / interest expenses		421,995	363,072
Profit before provisions		150,560	204,157
Provisions and write offs - net	24	(22,053)	(63,016)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		172,613	267,173
Taxation	25	(72,720)	(110,089)
PROFIT AFTER TAXATION		99,893	157,084
Rupees (Restated)			
Basic and diluted earnings per share	26	1.07	1.68

The annexed notes 1 to 39 form an integral part of these financial statements.



President



Chief financial Officer



Director



Director



Director

**THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
	Rupees in '000	
Profit after taxation for the year	99,893	157,084
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss account in subsequent periods		
Deficit on revaluation of available-for-sale securities - net	(14,675)	(42,331)
Related deferred tax credit	5,136	14,816
	(9,539)	(27,515)
Total comprehensive income	90,354	129,569

The annexed notes 1 to 39 form an integral part of these financial statements.



President



Chief financial Officer



Director



Director



Director

**THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Share capital	Surplus / (deficit) on revaluation of investment	Unappropriated Profit	Total
	Rupees in '000			
Balance as at December 31, 2016 (as reported)	785,977	-	145,225	931,202
Effect of retrospective changes of reclassification "Reclassification of surplus on available-for-sale securities (note - 4.1)"	-	18,119	-	18,119
Balance as at December 31, 2016 (restated)	785,977	18,119	145,225	949,321
Profit after taxation for the year ended December 31, 2017	-	-	157,084	157,084
Other comprehensive income				
Deficit on revaluation of available-for-sale securities - net of tax	-	(27,515)	-	(27,515)
Transactions with owners, recorded directly in equity				
Issue of share capital - note 15.5	62,942	-	-	62,942
Dividend for the year ended December 31, 2016	-	-	(78,598)	(78,598)
Balance as at December 31, 2017 (restated)	848,919	(9,396)	223,711	1,063,234
Profit after taxation for the year ended December 31, 2018	-	-	99,893	99,893
Other comprehensive income				
Deficit on revaluation of available-for-sale securities - net of tax	-	(9,539)	-	(9,539)
Transactions with owners, recorded directly in equity				
Issue of bonus shares - note 15.7	84,892	-	(84,892)	-
Closing balance as at December 31, 2018	933,811	(18,935)	238,712	1,153,588

The annexed notes 1 to 39 form an integral part of these financial statements.



President



Chief financial officer



Director



Director



Director

**THE BANK OF AZAD JAMMU AND KASHMIR
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018	2017
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		172,613	267,173
Less: Dividend income		(3,939)	(4,997)
		<u>168,674</u>	<u>262,176</u>
Adjustments:			
Depreciation		24,789	22,019
Provision and write-offs		(22,053)	(63,016)
Gain on sale of fixed assets		(9)	(11)
		<u>2,727</u>	<u>(41,008)</u>
		<u>171,401</u>	<u>221,168</u>
(Increase)/ decrease in operating assets			
Advances		385,327	264,593
Others assets (excluding advance taxation)		(199,819)	(2,335)
		<u>185,508</u>	<u>262,258</u>
Increase/ (decrease) in operating liabilities			
Bills payable		(12,226)	23,092
Deposits		1,515,988	1,701,590
Other liabilities (excluding current taxation)		7,897	41,571
		<u>1,511,659</u>	<u>1,766,253</u>
		<u>1,868,568</u>	<u>2,249,679</u>
Income tax paid		(81,359)	(76,904)
Net cash generated from operating activities		<u>1,787,209</u>	<u>2,172,775</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(50,000)	(25,000)
Net investments in held-to-maturity securities		199,247	247,626
Net proceeds from placements with banks		(1,528,100)	(2,004,000)
Dividend income received		3,939	4,997
Investments in operating fixed assets		(38,019)	(23,454)
Proceeds from sale of fixed assets		104	24
Net cash generated from investing activities		<u>(1,412,829)</u>	<u>(1,799,807)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	62,942
Dividend paid		-	(78,598)
Net cash used in financing activities		-	<u>(15,656)</u>
Increase in cash and cash equivalents		<u>374,380</u>	<u>357,312</u>
Cash and cash equivalents at beginning of the year		<u>3,547,179</u>	<u>3,189,867</u>
Cash and cash equivalents at end of the year	27	<u><u>3,921,559</u></u>	<u><u>3,547,179</u></u>

The annexed notes 1 to 39 form an integral part of these financial statements.



President



Chief financial Officer



Director



Director



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 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 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 (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 BPRD Circular No 02 dated January 25, 2018, the Act and its Bye-Laws 2007 (the Bye-Laws).

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pak Rupee, which is the Bank's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirement of the Act, its bye laws and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as applicable for banking companies in Pakistan, Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Act and Directive issued by the State Bank of Pakistan (SBP).

Where the requirements of the Banking Companies Ordinance, 1962, or the directives issued by the SBP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance and the said directives shall prevail.

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2018.

The following standards, amendments and interpretations are effective for the year ended December 31, 2018. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures:

- Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions. Effective from accounting period beginning on or after January 01, 2018
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'. Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. Effective from accounting period beginning on or after January 01, 2018

Certain annual improvements have also been made to a number of IFRSs

New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
IFRS 15 'Revenue from Contracts with Customers'	July 01, 2018 as per directives issued by the SECP
IFRS 16 'Leases'	January 01, 2019
Amendments to IFRS 10 'Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle amendments to:	January 01, 2019
IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes; and IAS 23 Borrowing Costs. Amendments to References to the Conceptual Framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards.	January 01, 2020

2.2.1 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

- 2.2.2** The management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Bank in the period of initial application.

The management anticipates that IFRS 9, IFRS 15 and IFRS 16 will be adopted in the Bank's financial statements in the future periods. The application of IFRS 15, IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Bank's financial statements in respect of non mark-up / interest income, the Bank's financial assets and financial liabilities and its leases respectively. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Bank performs a detailed review.

2.3 Use of critical accounting estimates and judgments

The preparation financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- i) Classification of investments (note 4.2)
- ii) Provision against investments (note 4.2), advances (note 4.3), operating fixed assets (note 4.4)
- iii) Valuation and impairment of available for sale securities (note 4.5)
- iv) Useful life of property and equipment (note 4.4)
- v) Taxation (note 4.7)

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair values.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

- 4.1** The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted change in deficit / (surplus) on revaluation of investment (note 16) amounting to Rs 18.9 million as at December 31, 2018 (2017: Rs 9.4 million, 2016: Rs. (18,119) million) which were previously shown below equity has now been included as part of Equity.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks, call lending and placements with financial institutions having maturities of three months or less.

4.3 Investments

Investments are classified as follows:

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements of the SBP's BSD Circular No. 10 dated July 13, 2004.

Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of SBP's BSD Circular No. 14 dated September 24, 2004.

All purchases and sales of investment that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Bank commits to purchase or sell the investments.

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000, and BPRD circular 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is taken through "Statement of Comprehensive Income" and is shown below the shareholders' equity in the statement of financial position. Where the decline in prices of available for sale equity securities is significant and prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by SBP.

Unquoted equity securities are valued at the lowest of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

4.4 Advances

Advances are stated net of provisions for non-performing advances. The Bank reviews its loan portfolio and debt securities classified as investments to assess the amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirement set out in Prudential Regulations.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

4.5 Capital work-in-progress, property and equipment, and depreciation

Capital work-in-progress

Capital work in progress is stated at cost.

Tangible assets

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold land which is not depreciated.

Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Kashmir Council of Government of AJK acquired and donated Core Banking Information System (Helios) to the Bank. This system is currently installed in certain branches. The Bank has initially recorded this system at nominal value, all subsequent maintenance charges are expense out.

Depreciation / amortization

Depreciation / amortization is computed on monthly basis over the estimated useful live of the related assets at the rates set out in note 9.2 on monthly basis. The cost of assets is depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

4.6 Impairment

The carrying amount of the Bank's assets are reviewed at the reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.7 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

4.8 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity.

Current

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the date of statement of financial position and any adjustment to tax payable for previous years.

Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the date of statement of financial position. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realized. Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus / (deficit) arising on such revaluation.

4.9 Staff retirement benefits**Gratuity scheme**

The Bank operates funded defined contributory gratuity scheme for all its permanent employees. Contributions are made by the Bank on monthly basis at the rate of one month last drawn basic pay for each completed year of service. However, no contribution will be made for those employees who are on deputation in the Bank or on extraordinary leave. Gratuity for service rendered during any part of the year shall be payable proportionately.

Provident fund

The Bank operates funded defined contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made by the Bank and the employees at the rate of 8.33% of basic pay

Leave encashment

The Bank provides compensated absences to all its employees. Provision for compensated absence is recognized based on the entitlement for leave encashment as per policy of the Bank.

4.10 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up / interest on rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP, except where in the opinion of the management it would not be prudent to do so.

Fee, commission, etc. are recognized at the time of performance of service.

Dividend income is recognized when the Bank's right to receive the dividend is established.

4.11 Government grant

Government grant related to assets are reflected in the statement of financial position as deferred government grant which is recognized as income over the useful life of the depreciable assets equivalent to related depreciation charge.

Revenue grants are recognized as income necessary to match these grants with the related expenses incurred.

4.12 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistan Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the date of the statement of financial position.

4.13 Provisions

Provisions other than provision on advances (stated in note 4.3) are recognized when the Bank has a present legal and constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

4.14 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

4.15 Appropriations subsequent to the date of statement of financial position

Appropriations subsequent to year end are recognised during the year in which those appropriations are made.

4.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

4.16.1 Business segment

Retail banking segment provides retail lending and deposits, banking services, trust and estates, investment advice, merchant / commercial / corporate cards and private labels and retail.

Commercial banking

Commercial banking segment provides services related to project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees and bills of exchange to corporate customers.

Payment and settlement

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

Agency service

Agency service include escrow, depository receipts, securities lending (customers) corporate actions and issuing and paying agents.

4.16.2 Geographical segments

The Bank only operates in Azad Jammu and Kashmir.

4.17 Earning per share

The Bank presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2018	2017
	Rupees in '000	
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	118,620	98,579
With National Bank of Pakistan in		
Local currency current account	30,449	9,801
Local currency deposit account - note 5.1	95,234	347,414
Local currency Term deposit accounts - note 5.2	2,060,000	1,300,000
	2,185,683	1,657,215
Prize bonds	1,284	-
	2,305,587	1,755,794

5.1 This represents saving accounts carrying markup at the rate of 8% (2017: 3.75%) per annum.

5.2 This represents term deposits carrying markup at rates ranging between 6.15% to 10.05% (2017: 5.9% to 6%) per annum with maturities ranging from six months to one year.

	2018	2017
	Rupees in '000	
6. BALANCES WITH OTHER BANKS		
In Pakistan (Azad Jammu and Kashmir)		
In current account	50,696	51,118
In deposit account - note 6.1 & 6.2	7,050,376	5,697,267
	7,101,072	5,748,385

6.1 This include saving accounts carrying markup at rates ranging between 8% to 8.5% (2017: 3.75% to 5.49%) per annum.

6.2 This include term deposits carrying markup at rates ranging between 6.08% to 19.84% (2017: 5.80% to 19.84%) per annum. Term deposits include an amount of Rs. 300 million (2017: Rs. 300 million) placed with a bank maturing in 2024. Remaining term deposits have maturities ranging from 3 months to 5 years.

7 INVESTMENTS

7.1 Investments by type

Available-for-sale securities

Units of open ended mutual funds - note 7.5

Held-to-maturity securities

Pakistan investment bonds - note 7.6

Term finance certificates - note 7.4

	2018			2017				
	Cost/amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
	205,000	-	(29,131)	175,869	155,000	-	(14,456)	140,544
	-	-	-	-	199,247	-	-	199,247
	49,940	(49,940)	-	-	49,940	(49,940)	-	-
	49,940	(49,940)	-	-	249,187	(49,940)	-	199,247
	254,940	(49,940)	(29,131)	175,869	404,187	(49,940)	(14,456)	339,791

7.2 Investments by segments

Federal Government Securities

Pakistan investment bonds - note 7.6

Shares

"Units of open ended mutual funds - note 7.5"

Non Government debt Securities

Term finance certificates

Total investments

	2018			2017				
	Cost/amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
	-	-	-	-	199,247	-	-	199,247
	205,000	-	(29,131)	175,869	155,000	-	(14,456)	140,544
	49,940	(49,940)	-	-	49,940	(49,940)	-	-
	254,940	(49,940)	(29,131)	175,869	404,187	(49,940)	(14,456)	339,791

7.3 Particulars of held to maturity investment

No. of certificates	Name of company	"Redeemable value per certificate (Rupees)"	2018 Rupees in '000	2017 Rupees in '000	Credit rating
2018 10,000					
10,000	Pace Pakistan Limited	4.994	49,940	49,940	Un-rated

Paid up value was Rs. 5,000 per certificate, carrying markup at the rate of KIBOR + 1.5% matured in 2017. Considering the non recovery of the balance, full provision has been made in the financial statements.

7.4 Particulars of provision for diminution in value of investments

	2018 Rupees in '000	2017 Rupees in '000
7.4.1 Opening balance		49,940
Charge for the year		-
Closing Balance	49,940	49,940

7.4.2 Particulars of provision against debt securities

Category of classification	2018 NPI	2018 Provision	2018 NPI	2018 Provision
Domestic				
Loss	49,940	49,940	49,940	49,940
Total	49,940	49,940	49,940	49,940

7.5 Quality of available for sale securities

	2018			2017				
	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rupees)	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rupees)
Local securities								
Units of open end mutual funds								
National Investment Unit Trust Fund	568,408	100,000	82,751	145.58	568,408	50,000	40,113	70.57
NIT Government Bond Fund	3,184,047	30,000	32,680	10.26	3,184,047	30,000	32,514	10.21
NIT Islamic Equity Fund	4,329,197	50,000	36,019	8.32	4,329,197	50,000	43,249	9.99
MCBDynamic Cash Fund	222,131	25,000	24,419	109.93	226,911	25,000	24,668	108.71
		<u>205,000</u>	<u>175,869</u>			<u>155,000</u>	<u>140,544</u>	

7.6 Particulars relating to held to maturity securities are as follows:

	2018	2017
Pakistan Investment Bonds - note 7.6.1	-	199,247

7.6.1 The amorized cost of securities classified as held-to-maturity as at December 31, 2018 is Nil (December 31, 2017: Rs. 199,247 thousand).

8. ADVANCES

	Performing		Non Performing Rupees in '000		Total	
	2018	2017	2018	2017	2018	2017
Loans, cash credits, running finances, etc.	1,936,543	2,279,332	252,690	295,228	2,189,233	2,574,560
Advances - gross	1,936,543	2,279,332	252,690	295,228	2,189,233	2,574,560
Provision against advances						
- Specific	-	-	(112,203)	(122,169)	(112,203)	(122,169)
- General	(48,092)	(44,538)	-	-	(48,092)	(44,538)
	(48,092)	(44,538)	(112,203)	(122,169)	(160,295)	(166,707)
Advances - net of provision	1,888,451	2,234,794	140,487	173,059	2,028,938	2,407,853

8.1 Particulars of advances (Gross)

	2018	2017
	Rupees in '000	
In local currency	2,189,233	2,574,560
In foreign currency	-	-
	2,189,233	2,574,560

8.2 Advances include Rs. 252,690 thousand (2017: 295,228 thousand) which have been placed under non-performing status as detailed below:-

Category of classification	2018		2017	
	Non performing loans	Provision	Non performing loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	37,792	-	34,396	-
Substandard	43,468	8,586	57,714	9,450
Doubtful	17,936	7,706	58,925	12,801
Loss	153,494	95,911	144,193	99,918
Total	252,690	112,203	295,228	122,169

8.3 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	122,169	44,538	166,707	172,313	57,410	229,723
Charge for the year	21,397	3,554	24,951	42,756	-	42,756
Reversals	(31,363)	-	(31,363)	(92,900)	(12,872)	(105,772)
	(9,966)	3,554	(6,412)	(50,144)	(12,872)	(63,016)
Closing balance	112,203	48,092	160,295	122,169	44,538	166,707

8.3.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	112,203	48,092	160,295	122,169	44,538	166,707
	112,203	48,092	160,295	122,169	44,538	166,707

8.3.2 The net FSV benefit availed has been increased by Rs. 7.624 million, which has resulted in decreased charge for specific provision for the year by the same amount. Had the FSV benefit not increased, before and after tax profit for the year would have been lower by Rs. 7.624 million (2017: lower by Rs. 37.49 million) and Rs. 4.651 million (2017: (lower by Rs. 22.51 million) respectively. Further, at December 31, 2018, cumulative tax benefit availed for Forced Saled Value (FSV) was Rs. 2.97 million (2017: Rs. 14.98 million) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

9	FIXED ASSETS	Note	2018	2017
	Capital work-in-progress	9.1	1,234	7,086
	Property and equipment	9.2	128,961	109,974
			130,195	117,060

9.1 Capital work-in-progress

This represents advance to suppliers in respect of purchase of office equipment, computers and furniture.

9.2 Property and equipment

2018

	Free hold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Total
Rupees in '000								
At January 1, 2018								
Cost	40,000	14,407	27,382	61,789	20,314	31,187	30,130	225,209
Accumulated depreciation	-	(6,802)	(20,519)	(31,858)	(13,742)	(21,802)	(20,512)	(115,235)
Net book value	40,000	7,605	6,863	29,931	6,572	9,385	9,618	109,974
Year ended December, 2018								
Opening net book value	40,000	7,605	6,863	29,931	6,572	9,385	9,618	109,974
Additions	400	-	21,507	15,246	4,687	2,031	-	43,871
Disposals	-	-	-	(2,512)	-	-	-	(2,512)
Cost	-	-	-	2,417	-	-	-	2,417
Accumulated depreciation	-	-	-	(7,364)	(3,197)	(4,068)	(3,092)	(24,789)
Depreciation charge	-	(1,441)	(5,627)	37,718	8,062	7,348	6,526	128,961
Closing net book value	40,400	6,164	22,743	37,718	8,062	7,348	6,526	128,961
At December 31, 2018								
Cost	40,400	14,407	48,889	74,523	25,001	33,218	30,130	266,568
Accumulated depreciation	-	(8,243)	(26,146)	(36,805)	(16,939)	(25,870)	(23,604)	(137,607)
Net book value	40,400	6,164	22,743	37,718	8,062	7,348	6,526	128,961
Rate of depreciation (percentage)	0	10	20	10-20	20	20	20	

2017

	Free hold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Total
Rupees in '000								
At January 1, 2017								
Cost	40,000	14,407	26,292	54,944	18,491	29,005	24,881	208,020
Accumulated depreciation	-	(5,361)	(16,891)	(26,119)	(10,674)	(17,855)	(16,436)	(93,336)
Net book value	40,000	9,046	9,401	28,825	7,817	11,150	8,445	114,684
Year ended December, 2017								
Opening net book value	40,000	9,046	9,401	28,825	7,817	11,150	8,445	114,684
Additions	-	-	1,090	6,978	1,823	2,182	5,249	17,322
Disposals	-	-	-	(133)	-	-	-	(133)
Cost	-	-	-	120	-	-	-	120
Accumulated depreciation	-	(1,441)	(3,628)	(5,859)	(3,068)	(3,947)	(4,076)	(22,019)
Depreciation charge	-	-	-	-	-	-	-	-
Closing net book value	40,000	7,605	6,863	29,931	6,572	9,385	9,618	109,974
At December 31, 2017								
Cost	40,000	14,407	27,382	61,789	20,314	31,187	30,130	225,209
Accumulated depreciation	-	(6,802)	(20,519)	(31,858)	(13,742)	(21,802)	(20,512)	(115,235)
Net book value	40,000	7,605	6,863	29,931	6,572	9,385	9,618	109,974
Rate of depreciation (percentage)	0	10	20	10-20	20	20	20	20

9.2.1 Property and equipment includes cost of Rs. 5,485 thousand (2017: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2017: Rs. 5,485 thousand) in respect of assets donated by the Government of Azad Jammu and Kashmir.

9.3 The total cost of fixed assets of Rs. 266,568 thousand includes fixed assets of Rs.59,457 thousand having zero book value on which no depreciation was charged during the year.

9.4 **Detail of disposals of operating fixed assets**

Particulars of assets	cost	Accumulated depreciation	Book value	Sale proceeds
Rupees in '000				
2018				
Furniture and fixture	2,220	2,126	93	102
Carpet and blinds	292	291	1	2
	2,512	2,417	94	104
2017				
Furniture and fixture	133	120	13	24
	133	120	13	24

The above fixed Assets were disposed off through auction.

10. **DEFERRED TAX ASSETS**

	2018			
	At January 1, 2018	Recognised in P&L A/C	Recognised in OCI	At December 31, 2018
	Rupees in 000			
Deductible temporary differences on				
- Deficit on revaluation of investments	5,060	-	5,136	10,196
- Accelerated tax depreciation	4,947	791	-	5,738
	10,007	791	5,136	15,934
Taxable temporary differences on				
- Provision against receivable from Kashmir Council	1,685	-	-	1,685
- Provision against customer claims	11,153	(7,842)	-	3,311
	22,845	(7,051)	5,136	20,930
	2017			
	At January 1, 2017	Recognised in P&L A/C	Recognised in OCI	At December 31, 2017
	Rupees in 000			
Deductible temporary differences on				
- Deficit on revaluation of investments	(9,756)	-	14,816	5,060
- Accelerated tax depreciation	2,966	1,981	-	4,947
- Provision against non-performing advances classified in sub-standard category	7,876	(7,876)	-	-
- Provision for customer claims	8,865	(8,865)	-	-
	9,951	(14,760)	14,816	10,007
Taxable temporary differences on				
- Provision against receivable from Kashmir Council	1,685	-	-	1,685
- Provision against customer claims	1,750	9,403	-	11,153
	13,386	(5,357)	14,816	22,845

	Note	2018	2017
		Rupees in '000	
11. OTHER ASSETS			
Income/ mark-up accrued in local currency - net of provision - note 11.1 and 11.2		609,382	419,527
Advances, deposits, advance rent and other prepayments		14,803	19,324
Branch adjustment account		14,687	-
Stationery and stamps in hand		4,200	4,985
Others		10,494	9,910
		653,566	453,746
Less: Provision held against other assets	11.4	(4,815)	(4,815)
Other assets (net of provision) - total		648,751	448,931

11.1 This includes an amount of Rs. 1,874 thousand (2017: Rs. 2,295 thousand) on account of interest receivable from a related party.

11.2 This balance has been arrived at after adjusting interest in suspense account of Rs. 64,490 thousand (2017: Rs. 53,468 thousand).

	Note	2018	2017
		Rupees in '000	
11.3 Provision held against other assets			
Receivable from Kashmir Council	11.3.1	4,815	4,815

11.3.1 Movement in provision held against other assets

Opening balance		4,815	4,815
Closing balance		4,815	4,815

12. BILLS PAYABLE

In Pakistan		19,582	31,808
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13. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Customers						
Current deposits	2,558,831	-	2,558,831	2,382,571	-	2,382,571
Savings deposit	5,553,347	-	5,553,347	4,303,343	-	4,303,343
Term deposits	2,828,559	-	2,828,559	2,841,960	-	2,841,960
Call deposits	113,982	-	113,982	-	-	-
Others	8,484	-	8,484	19,341	-	19,341
	11,063,203	-	11,063,203	9,547,215	-	9,547,215

	2018	2017
	Rupees in '000	
13.1 Composition of deposits		
- Individuals	5,942,651	4,820,506
- Government	5,068,975	4,650,389
- Private Sector	51,577	76,320
	11,063,203	9,547,215

14 OTHER LIABILITIES

	2018	2017
	Rupees in '000	
Mark-up/ return/ interest payable in local currency - note 14.1	82,339	82,199
Accrued expenses	2,945	3,388
Income tax payable	8,482	24,172
Branch adjustment account	-	10,745
Provision for bonus to employees	15,000	14,000
Provision against customer claims	9,461	22,505
Leave encashment	21,000	11,000
Education cess	6,784	10,033
Others	28,958	20,360
	<u>174,969</u>	<u>198,402</u>

14.1 It includes an amount of Rs. 36,363 thousand (2017: Rs. 48,145 thousand) on account of interest payable to related parties (Government departments).

15. SHARE CAPITAL

15.1 Authorised Capital

2018	2017		2018	2017
Number of shares			Rupees in '000	
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

15.2 Issued, subscribed and paid up share capital

2018	2017		2018	2017
Number of shares		Ordinary shares of Rs. 10 each:	Rupees in '000	
31,794,261	31,794,261	Fully paid in cash	317,942	317,942
56,571,700	48,082,476	Issued as bonus shares	565,717	480,825
5,015,200	5,015,200	Issued for consideration other than cash	50,152	50,152
<u>93,381,161</u>	<u>84,891,937</u>		<u>933,811</u>	<u>848,919</u>

15.3 The Government of Azad Jammu and Kashmir and Behbood Fund and Group Insurance - Government autonomous body own 100% percent of ordinary shares of the Bank as on December 31, 2018 in proportion of 94% and 6% respectively.

	2018	2017
	Number of shares	
15.4 Reconciliation of number of ordinary shares		
Shares at the beginning of the year	84,891,937	78,597,676
Right shares issued during the year - 15.5	-	6,294,261
Bonus shares issued during the year - note 15.7	8,489,224	-
Shares at the year end	<u>93,381,161</u>	<u>84,891,937</u>

15.5 During previous year the bank has issued right shares 6,294,261 amounting to Rs. 62,942 thousand to its shareholders, however on dealination by AKLAS all the shares have been issued to Bank's major shareholder that is Government of Azad Jammu and Kashmir as fully paid in cash against settlement of its dividend payable.

15.6 During the year Azad Kashmir Saw Mills Corporation sold its 6% shares having face value of Rs. 55 million to M/S Behbood Fund and Group Insurance - Government autonomous body.

15.7 During the year the bank has issued bonus shares 8,489,224 (2017: Nil) amounting to Rs. 84,892 thousand (2017: Nil) to its shareholders.

		2018	2017	
		Rupees in '000		
16	DEFICIT ON REVALUATION OF ASSETS			
	Deficit on revaluation of:			
	- Available for sale securities	7.1	(29,131)	(14,456)
	Deferred tax on deficit on revaluation of:			
	- Available for sale securities		10,196	5,060
			<u>(18,935)</u>	<u>(9,396)</u>
17	CONTINGENCIES AND COMMITMENTS			
	Guarantees		16,779	48,643
	Commitments	17.2	298,080	228,131
	Bills for collection	17.3	52,342	27,792
			<u>367,201</u>	<u>304,566</u>
17.1	Guarantees			
	Financial guarantees		16,779	48,643
17.2	Commitments			
	Loan sanctioned but not disbursed		13,501	7,179
	Unavailed running finance		284,579	220,952
	Operating leases	17.2.1	123,734	26,577
			<u>298,080</u>	<u>228,131</u>
17.2.1	Commitments in respect of operating leases			
	Not later than one year		25,093	31,531
	Later than one year and not later than five years		73,646	84,648
	Later than five years		24,995	26,577
			<u>123,734</u>	<u>142,756</u>
17.3	Bills for collection	17.3.1	52,342	27,792
17.3.1	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.			
18	MARK-UP/ RETURN/ INTEREST EARNED			
	On:		316,366	366,793
	a) Loans and advances	18.1	13,230	40,694
	b) Investments		606,371	435,383
	c) Balances with banks		<u>935,967</u>	<u>842,870</u>
18.1	This includes an amount of Rs. 26,363 thousand (2017: Rs. 25,104 thousand) on account of interest earned on advance given to a related party (Government department).			

19	MARK-UP/ RETURN/ INTEREST EXPENSED	Note	2018 Rupees in '000	2017
	Deposits	19.1	<u>385,101</u>	<u>327,143</u>
			<u>385,101</u>	<u>327,143</u>
19.1	This includes an amount of Rs. 190,322 thousand (2017: Rs. 155,472 thousand) on account of interest expense on deposits received from related parties (Government departments).			
20	FEE AND COMMISSION INCOME			
	Branch banking customer fees		1,756	1,831
	Commission on cheques books		3,050	3,004
	Credit related fees		4,102	6,471
	Commission on guarantees		433	176
	Commission on remittances including home remittances		725	362
	Commission on call deposit		89	111
	Commission on utility bills		4,230	4,036
	Postage charges		458	301
	Others		156	214
			<u>14,999</u>	<u>16,506</u>
21	GAIN ON SECURITIES			
	Realised gain on available-for-sale securities (units of mutual fund)		-	27,616
			<u>-</u>	<u>27,616</u>
22	OTHER INCOME			
	Gain on sale of fixed assets-net		9	11
	Site visits and fee collection charges		2,742	2,372
			<u>2,751</u>	<u>2,383</u>

	Note	2018 Rupees in '000	2017
23 OPERATING EXPENSES			
Total compensation expense	23.1	244,847	205,045
Property expense			
Rent & taxes		31,544	24,842
Insurance		2,217	1,363
Utilities cost		14,717	11,662
Security (including guards)		23,852	20,169
Repair & maintenance (including janitorial charges)		9,113	6,303
Depreciation		7,068	5,143
		88,511	69,482
Information technology expenses			
Software maintenance		9,232	10,527
Hardware maintenance		1,386	1,594
Depreciation		7,080	7,037
Network charges		5,563	4,816
		23,261	23,974
Other operating expenses			
Directors' fees and allowances		1,895	882
Legal & professional charges		1,174	754
Traveling & conveyance		6,638	6,690
Depreciation		10,641	9,839
Entertainment		7,930	9,309
Training & development		1,223	931
Postage & courier charges		2,253	2,796
Communication		3,533	3,088
Stationery & printing		8,170	8,086
Marketing, advertisement & publicity		700	486
Auditors remuneration		1,980	1,980
Others		19,239	19,730
		65,376	64,571
	23.2	421,995	363,072

	Note	2018 Rupees in '000	2017 Rupees in '000
23.1 Total compensation expense			
Fees and Allowances etc		106,351	91,837
Managerial Remuneration		29,390	22,991
i) Fixed		15,278	14,654
ii) Variable - cash bonus		4,605	4,472
Contribution to defined contribution Plan		8,276	7,481
Contribution to defined gratuity fund		36,716	29,551
Rent & house maintenance		7,909	7,206
Utilities		9,367	8,070
Medical		26,955	18,783
Conveyance		244,847	205,045
23.2 Auditors' remuneration			
Audit fee		1,800	1,800
Out-of-pocket expenses		180	180
		<u>1,980</u>	<u>1,980</u>
24 PROVISIONS AND WRITE OFFS - NET			
Reversal of provisions against loans & advances - net	8.3	(6,412)	(63,016)
Reversal of provision against customers claims		(10,641)	-
Insurance claims received		(5,000)	-
		<u>(22,053)</u>	<u>(63,016)</u>
25 TAXATION			
Current	8.3	65,669	99,030
Prior years		-	5,702
Deferred		7,051	5,357
		<u>72,720</u>	<u>110,089</u>
25.1 Relationship between tax expense and accounting profit			
	%	2018 Rupees in '000'	2017 Rupees in '000'
Profit before taxation		172,613	267,173
Applicable tax rate / expense	35%	60,415	93,511
Super tax	4%	6,735	-
Expense not allowed	4%	6,568	10,876
Prior year adjustment	-	-	5,702
Other	-1%	(998)	-
Actual tax rate / expense	42%	<u>72,720</u>	<u>110,089</u>
Total tax charge as per financial statements		<u>72,720</u>	<u>110,089</u>

		2018	2017
		Rupees in '000	
26	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the year	<u>99,893</u>	<u>157,084</u>
		2018	2017
			Restated
	Weighted average number of ordinary shares (Number)	93,381,161	93,381,161
	Basic and diluted earnings per share (Rupees)	<u>1.07</u>	<u>1.68</u>
27.	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	495,587	605,794
	Balances with other banks	<u>3,425,972</u>	<u>2,941,385</u>
		<u>3,921,559</u>	<u>3,547,179</u>
28.	STAFF STRENGTH		
		2018	2017
		Number	
	Permanent	222	224
	On Bank contract	<u>168</u>	<u>163</u>
	Bank's own staff strength at the end of the year	390	387
	Outsourced	<u>149</u>	<u>138</u>
	Total staff strength at the end of the year	<u>539</u>	<u>525</u>
29.	STAFF RETIREMENT BENEFITS		
29.1	Gratuity		
	The Bank contributed Rs. 8,276 thousand (2017: Rs. 7,481 thousand) during the year towards employees gratuity fund.		
29.2	Provident fund		
	The Bank contributed Rs. 4,605 thousand (2017: Rs. 4,472 thousand) during the year towards employees contributory provident fund.		

30 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

30.1 Total Compensation Expense

Item	2018			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	Rupees in '000			
Fees and Allowances etc.	-	-	-	-
Managerial Remuneration				
i) Fixed	125	1,625	4,690	20,161
ii) Variable (bonus)	-	-	711	2,131
Contribution to defined contribution provident fund	-	-	-	413
Contribution to defined contribution gratuity fund	-	-	391	454
Rent & house maintenance	-	-	2,234	2,453
Utilities	-	-	214	545
Medical	-	-	103	545
Conveyance	-	-	742	1,280
Vehicle	-	-	-	952
Boarding & loading	-	-	41	-
Others (mobile charges, TA & DA)	-	286	284	593
Total	125	1,911	9,410	29,527
Number of Persons	1	7	1	9

Item	2017			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	Rupees in '000			
Fees and Allowances etc.	-	-	-	-
Managerial Remuneration				18,061
i) Fixed	100	725	4,777	1,655
ii) Variable (Bonus)	-	-	710	375
Contribution to defined contribution provident fund	-	-	-	375
Contribution to defined contribution gratuity fund	-	-	355	2,230
Rent & house maintenance	-	-	1,874	496
Utilities	-	-	194	496
Medical	-	-	130	831
Conveyance	-	-	782	330
Vehicle	-	-	348	-
Boarding & loading	-	-	124	253
Others (mobile charges, TA & DA)	-	7	3,426	25,102
Total	100	732	12,720	
Number of Persons	1	7	1	9

30.2 Remuneration paid to directors for participation in Board and Committee meetings

2018

Name of director		Meeting fees and allowances paid				
		For board meetings	For board committees			Total amount paid
Board executive committee	Board audit committee		Board IT committee			
Rs. in '000'						
1	Dr. Ijaz Munir	75	-	-	-	75
2	Mian Waheed ud din	50	-	-	-	50
3	Mr. Fayyaz Ali Abbasi	100	-	100	-	200
4	Mr. Farid Ahmad Tarar	125	100	100	-	325
5	Syed Zahoor-ul-Hussan Gillani	100	-	-	75	175
6	Dr. Shehla Waqar	25	-	-	-	25
7	Raja Tariq Masood	100	75	-	75	250
8	Mr. Abid Awan	-	25	-	25	50
9	Mr. Ejaz Hussain Rathore	75	-	75	100	250
10	Raja Mumtaz Ali	125	-	100	-	225
11	Mr. Naveed Sadiq	125	-	-	-	125
Total amount paid		900	200	375	275	1,750

2017

Name of director		Meeting fees and allowances paid				
		For board meetings	For board committees			Total amount paid
Board executive committee	Board audit committee		Board IT committee			
Rs. in '000'						
1	Raja Farooq Haider Khan	50	-	-	-	50
2	Dr. Ijaz Munir	50	-	-	-	50
3	Mr. Sadiq Malik	-	25	-	-	25
4	Mr. Ijaz Hussain Rathore	75	50	75	-	200
5	Ch. Javed Iqbal	-	25	-	-	25
6	Mr. Naveed Sadiq	50	-	-	-	50
7	Ch. Muhammad Saeed	-	25	-	-	25
8	Mr. Raja Mumtaz Ali	50	-	-	-	50
9	Mr. Amjad Pervaiz Khan	50	25	-	-	75
10	Syed Zahoor-ul-Hussan Gillani	50	-	-	-	50
11	Mr. Fayyaz Ali Abbasi	75	50	75	-	200
12	Mr. Farid Ahmad Tarar	25	-	50	-	75
Total amount paid		475	200	200	-	875

2017

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Profit and loss					
Net mark-up/return/profit	234,097	281,630	-	-	515,727
Non mark-up / return / interest income	-	51,502	-	-	51,502
Total Income	234,097	333,132	-	-	567,229
Segment direct expenses	(66,003)	(291,373)	(4,075)	(1,620)	(363,072)
Inter segment expense allocation	-	-	-	-	-
Total expenses	(66,003)	(291,373)	(4,075)	(1,620)	(363,072)
Provisions charged / (reversal)	(40,114)	(22,902)	-	-	(63,016)
Profit before tax	208,208	64,660	(4,075)	(1,620)	267,173
Statement of financial position					
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000					
Cash & bank balances	-	7,504,179	-	-	7,504,179
Investments	-	339,791	-	-	339,791
Advances - performing	1,301,007	978,325	-	-	2,279,332
Advances - non-performing	87,586	207,642	-	-	295,228
Advances - provision	(89,914)	(76,793)	-	-	(166,707)
Operating fixed assets	24,452	90,772	1,314	522	117,060
Deferred tax asset	-	22,845	-	-	22,845
Others	6,142	442,328	330	132	448,931
Total assets	1,329,273	9,509,088	1,644	654	10,840,659
Bills payable	-	31,808	-	-	31,808
Deposits and other accounts	-	9,547,215	-	-	9,547,215
Others	12,516	185,864	16	6	198,402
Total liabilities	12,516	9,764,887	16	6	9,777,425
Equity	1,316,757	(255,799)	1,628	648	1,063,234
Total Equity and liabilities	1,329,273	9,509,088	1,644	654	10,840,659
Contingencies and commitments	5,529	299,037	-	-	304,566

33 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

34 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.

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

	2018		2017	
	Government of Azad Jammu & Kashmir and its related department	Key management personnel	Government of Azad Jammu & Kashmir and its related department	Key management personnel
	Rupees in '000			
Advances				
Opening balance	305,624	43,962	250,500	22,612
Addition during the year	-	9,994	101,544	21,350
Repaid during the year	(45,652)	(8,249)	(46,420)	-
Closing balance	<u>259,972</u>	<u>45,707</u>	<u>305,624</u>	<u>43,962</u>
Provision held against advances	-	-	-	-
Other Assets				
Interest / mark-up accrued	1,874	-	2,295	-
Deposits and other accounts				
Opening balance	4,650,389	5,915	3,665,349	1,298
Received during the year	418,586	4,925	985,040	4,617
Closing balance	<u>5,068,975</u>	<u>10,840</u>	<u>4,650,389</u>	<u>5,915</u>
Other Liabilities				
Interest / mark-up payable	<u>36,270</u>	<u>93</u>	<u>48,115</u>	<u>28</u>
Contingencies and Commitments				
Unavailed running finance	<u>240,028</u>	-	<u>194,376</u>	-
Transactions during the year				
Income				
Mark-up / return / interest earned	<u>23,954</u>	<u>2,409</u>	<u>22,838</u>	<u>2,266</u>
Expense				
Mark-up / return / interest paid	<u>190,156</u>	<u>166</u>	<u>155,472</u>	<u>40</u>

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2018 2017
Rupees in '000

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	1,172,523	1,072,630
Eligible additional tier 1 (ADT 1) capital	-	-
Total regulatory adjustment applied to CET1	(18,935)	(9,396)
Total eligible Tier 1 capital	1,153,588	1,063,234
Eligible tier 2 capital	48,092	35,142
Total eligible capital (Tier 1 + Tier 2)	1,201,680	1,098,376

Risk weighted assets (RWAs):

Credit risk	4,647,890	3,867,150
Market risk	351,738	281,088
Operational risk	1,000,989	924,615
Total	6,000,617	5,072,853

Common equity tier 1 capital adequacy ratio	19.54%	21.14%
Tier 1 capital adequacy ratio	19.22%	20.96%
Total capital adequacy ratio	20.03%	21.65%

Leverage ratio (LR)

Eligible tier-1 capital	1,153,588	1,063,234
Total exposures	2,221,586	2,775,436
Leverage ratio	52%	38%

Liquidity coverage ratio (LCR)

Total high quality liquid assets	9,406,659	7,504,179
Total net cash outflow	3,635,102	3,458,055
Liquidity coverage ratio	259%	217%

Net stable funding ratio (NSFR)

Total available stable funding	9,979,049	8,518,943
Total required stable funding	5,408,918	4,454,556
Net stable funding ratio	184%	191%

36 RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks, including the credit and interest rate risk associated with various financial assets and liabilities respectively.

The Bank finances its operations through equity, deposits and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the Bank's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments. Bank regularly reviews and updates policy manuals and procedures in accordance with domestic regulatory environment and international standards.

36.1 Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The Bank takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

36.1.1 Investment in debt securities

	Gross investments		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Government bonds	-	199,247	-	-	-	-
Construction- TFC	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)
	49,940	249,187	(49,940)	(49,940)	(49,940)	(49,940)

Public
Private

36.1.2 Advances

Credit risk by industry sector

	Gross investments		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
	148,509	232,634	81,131	88,066	26,041	22,539
	370,519	527,015	106,557	119,576	48,154	50,231
	1,410,233	1,509,287	65,002	87,586	38,008	49,399
	259,972	305,624	-	-	-	-
	2,189,233	2,574,560	252,690	295,228	112,203	122,169

Credit risk by public / private sector

	Gross investments		Non-performing		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/Government	259,972	305,624	-	-	-	-
Private	1,929,261	2,268,936	252,690	295,228	112,203	122,169
	2,189,233	2,574,560	252,690	295,228	112,203	122,169

36.1.3 Contingencies and Commitments

Credit risk by industry sector

	Rupees in '000	
	2018	2017
Wholesale and Retail Trade	45,451	28,226
Individuals	29,380	54,172
Others	240,028	194,376
	314,859	276,774

Credit risk by industry sector

Public / Government	240,028	194,376
Private	74,831	82,398
	314,859	276,774

36.1.4 Concentration of Advances

"The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 436,309 thousand (2017: Rs. 517,838 thousand) are as following:"

	Rupees in '000	
	2018	2017
Funded	419,530	469,195
Non funded	16,779	48,643
Total exposure	436,309	517,838

The sanctioned limits against these top 10 exposures aggregated to Rs 667,500 thousand (2017: Rs. 669,500 thousand)

Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
Substandard	-	-	-	-
Doubtful	-	-	22,500	1,191
Loss	52,448	6,408	20,000	-
Total	52,448	6,408	42,500	1,191

36.1.5 Advances - Province/Region-wise Disbursement & Utilization

Total amount of disbursement and utilization is in Azad Jammu and Kashmir of Rs. 371,723 thousands (2017: 4,010,110 thousands)

36.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

36.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	2,305,587	-	2,305,587	1,755,794	-	1,755,794
Balances with other banks	7,101,072	-	7,101,072	5,748,385	-	5,748,385
Investments	-	175,869	175,869	199,247	140,544	339,791
Advances	2,028,938	-	2,028,938	2,407,853	-	2,407,853
Fixed assets	130,195	-	130,195	117,060	-	117,060
Deferred tax assets	20,930	-	20,930	22,845	-	22,845
Other assets	648,751	-	648,751	448,931	-	448,931
	12,235,473	175,869	12,411,342	10,700,115	140,544	10,840,659

36.2.2 Foreign exchange risk

Foreign exchange risk / currency risk is defined as risk of loss to earnings and capital arising from adverse movements in currency exchange rates. The Bank is not exposed to the foreign exchange risk since all the Bank's assets and liabilities are held in the local currency i.e. Pak Rupees.

36.2.3 Equity position Risk

It is the risk of loss to earnings or capital as a result from unfavorable fluctuations in prices of securities in which the Bank takes long and / or short positions, in its trading book.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically. Limit monitoring is done on daily basis. Limit breaches if any are promptly reported to ALCO with proper reason and justification.

	2018		2017	
	Banking	Trading	Banking	Trading
	Rupees in '000			
Impact of 5% change in equity prices on				
- Other comprehensive income	-	8,793	-	7,027

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years	Above 10 Years
		Rupees in '000									
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury bank	1,755,794	89,303	239,304	1,089,304	239,304	-	-	-	-	-	98,579
Balances with other banks	5,748,385	343,724	2,171,857	1,144,343	1,312,343	75,000	-	350,000	300,000	-	51,118
Investments	339,791	-	-	-	199,247	-	-	-	-	-	140,544
Advances	2,407,853	40,778	457,118	146,661	428,338	489,324	489,324	298,612	25,153	32,545	-
Other assets	429,607	-	-	-	-	-	-	-	-	-	448,931
	10,681,430	473,805	2,868,279	2,380,308	2,179,232	564,324	489,324	648,612	325,153	32,545	739,172
Liabilities											
Bills payable	31,808	-	-	-	-	-	-	-	-	-	31,808
Deposits and other accounts	9,547,215	1,225,238	2,298,240	1,324,240	1,976,439	80,400	162,470	97,617	-	-	2,382,571
Other liabilities	198,402	-	-	-	-	-	-	-	-	-	198,402
	9,777,425	1,225,238	2,298,240	1,324,240	1,976,439	80,400	162,470	97,617	-	-	2,612,781
On-balance sheet gap	904,005	(751,433)	570,039	1,056,068	202,793	483,924	326,854	550,995	325,153	32,545	(1,873,609)
Off-balance sheet financial instruments											
Commitments to extend credit	228,131	228,131	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(979,564)	570,039	1,056,068	202,793	483,924	483,924	326,854	550,995	325,153	32,545	(1,873,609)
Cumulative Yield/Interest Risk Sensitivity Gap	(979,564)	(409,525)	646,543	849,336	1,333,260	1,660,114	2,211,109	2,536,262	2,568,807	2,568,807	(1,873,609)

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

36.2.6 Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities

	2018	2017
	Rupees in '000	
Reconciliation of total assets		
Total financial assets	12,245,414	10,681,430
Add: Non financial liabilities		
Operating fixed assets	130,195	117,060
Other assets	14,803	19,324
Deferred tax asset	20,930	22,845
	165,928	159,229
Balance as per balance sheet	12,411,342	10,840,659
Reconciliation of total liabilities		
Total financial		
Add: Non financial liabilities	11,257,754	9,777,425
Deferred tax liabilities		
Deferred govt. grant		
Balance as per balance sheet	11,257,754	9,777,425

36.3

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

36.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2018											
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Rupees in '000	
Assets											
	2,305,587	2,305,587	-	-	-	-	-	-	-	-	-
Cash and balances with treasury banks	7,101,072	760,086	1,941,944	1,063,947	-	50,000	300,000	300,000	-	-	-
Balances with other banks	175,869	-	-	175,869	-	-	-	-	-	-	-
Investments	2,028,938	479,081	37,446	289,812	442,992	316,372	420,652	2,278	-	-	-
Advances	130,195	-	1,234	24,789	24,003	16,442	21,796	1,533	-	-	40,400
Fixed assets	20,930	-	-	20,930	-	-	-	-	-	-	-
Deferred tax assets	648,751	124,867	86,323	40,508	4,272	6,633	669	293,360	-	-	-
Other assets	12,411,342	3,669,621	2,817,519	1,615,855	471,267	389,447	743,117	597,171	-	-	40,400
Liabilities											
	19,582	19,582	-	-	-	-	-	-	-	-	-
Bills payable	11,063,203	2,509,644	2,887,755	2,535,922	137,127	-	-	-	-	-	-
Deposits and other accounts	174,969	105,494	11,854	20,901	-	-	-	-	-	-	21,000
Other liabilities	11,257,754	2,634,720	3,008,476	2,899,609	137,127	-	-	-	-	-	21,000
Net assets	1,153,588	1,034,902	(832,662)	(940,968)	334,140	389,447	743,117	597,171	-	-	19,400
Share capital	933,811										
Reserves	238,712										
Unappropriated profit	(18,935)										
Deficit on revaluation of assets	1,153,588										

2017											
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Rupees in '000	
Assets											
	1,755,794	187,882	239,304	239,304	-	-	-	-	-	-	-
Cash and balances with treasury banks	5,748,385	394,842	1,144,343	1,312,343	75,000	-	350,000	300,000	-	-	-
Balances with other banks	339,791	-	-	339,791	-	-	-	-	-	-	-
Investments	2,407,853	40,778	146,661	428,338	489,324	489,324	298,612	25,153	-	-	32,545
Advances	117,060	-	-	29,104	22,019	11,105	13,976	40,856	-	-	-
Fixed assets	22,845	-	-	22,845	-	-	-	-	-	-	-
Deferred tax assets	448,931	67,532	36,947	23,669	7,409	5,142	2,361	234,021	-	-	-
Other assets	10,840,659	691,034	2,940,129	2,395,394	593,752	505,571	664,949	600,030	-	-	32,545
Liabilities											
	31,808	31,808	-	-	-	-	-	-	-	-	-
Bills payable	9,547,215	1,820,881	1,919,883	2,572,081	80,400	162,470	97,617	-	-	-	-
Deposits and other accounts	198,402	104,477	20,356	42,141	-	387	-	11,000	-	-	-
Other liabilities	9,777,425	1,957,166	2,913,924	2,614,222	80,400	162,857	97,617	11,000	-	-	-
Net assets	1,063,234	(1,266,132)	26,205	(218,828)	513,352	342,714	567,332	589,030	-	-	32,545
Share capital	848,919										
Reserves	223,711										
Unappropriated profit	(9,396)										
Deficit on revaluation of assets	1,063,234										

37 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on March 29, 2019 have announced a bonus issue/cash dividend of 10% percent (2017: bonus issue at the rate of 10%). The appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2018 do not include the effect of the appropriation which will be accounted for in the financial statements for the year ending December 31, 2019.

38 GENERAL

Corresponding figures have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances. Captions as prescribed by BPRD circular No. 02 dated January 25, 2018 issued by the SBP in respect of which there are no amounts have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

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

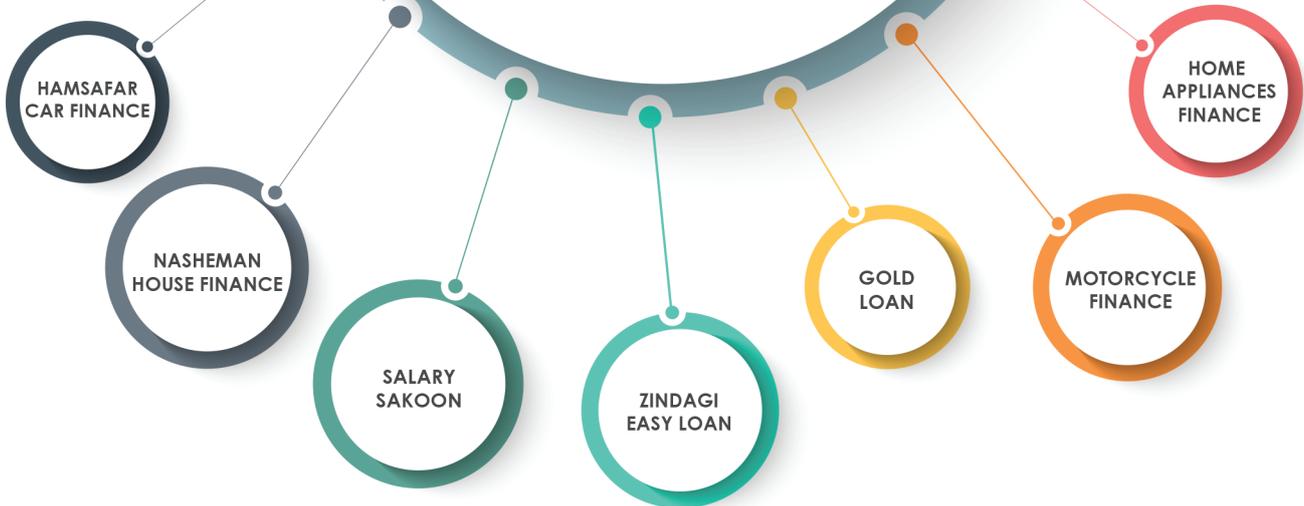
39 DATE OF AUTHORIZATION

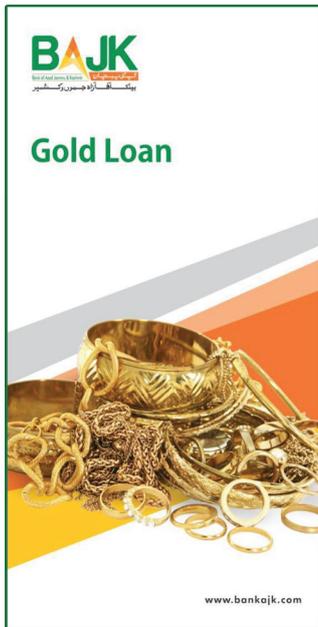
These financial statements were authorized for issue by the Board of Directors of the Bank on 29-03-2019.

				
President	Chief financial Officer	Director	Director	Director



CONSUMER FINANCES





BAJK
Bank of Azad Jammu & Kashmir

Gold Loan

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BAJK
Bank of Azad Jammu & Kashmir

گوڈ لون

سونہ کھوائیں پیسے لے جائیں

خصوصیات

- اجنبائی کم مارک اپ
- اجنبائی آسان اقساط
- آسان شرائط
- فوری منظوری
- بغیر جرمانے کے تیس از وقت اور انگی کی سہولت
- BAJK کی تمام ہمزہ برائے آسانی دستیاب

مقصد:

- تعلیم، شادی اور دیگر گھر کی ضروریات کے لئے

Bank of Azad Jammu & Kashmir
Head Office: Bank Square, Chatter, Dornel, Muzaffarabad, Azad Jammu & Kashmir
Tel: 05822-921504
Email: credit_marketing@bankajk.com

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BAJK
Bank of Azad Jammu & Kashmir

Hamsafar Car Finance

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BAJK Hamsafar Car Finance

Target Customers

- All permanent employees of the Government/Semi Government Departments /Autonomous Corporations of the Government of AJK
- Business & Self-employed Professionals

Eligibility:

- AJK/Pakistani National having valid CNIC
- Age 21 to 59 years for salaried person & 21 to 60 years for businessman
- Minimum down payment 15%
- Minimum 3 years in service/business

Loan Amount

- 85% of the Vehicle Price (Maximum Rs. 2.5 Million)

Flexible Repayment Tenure

- 1 - 7 years

Mark-up Rate

- Affordable rate

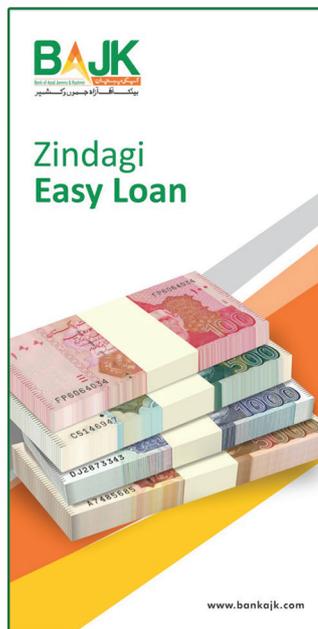
Other Features *

- Only Brand-new Cars (including un-registered imported vehicles)
- Partial & Pre-mature adjustments allowed
- Insurance & Tracker available
- Fast Track Processing of Loan applications

(*Terms & conditions apply as per policy of BAJK)

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Zindagi Easy Loan

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BAJK Zindagi Easy Loan

Get a stress-free life by meeting your urgent domestic needs.

Hurry up, if you are making plans to renovate your house, making your wedding a memorable one, sending your children for professional / higher / foreign education, planning dream vacations or buying home appliances, because BAJK has a solution for your needs.

With **BAJK Zindagi Easy Loan** you can obtain a unique term loan which offers unmatched features and flexibility. Designed for business/salaried individuals, **BAJK Zindagi Easy Loan** has everything you can wish for.

Features *

- Limit up to 95% of the deposit with BAJK
- Limit up to 75% of Fixed Deposits with other Banks/NSCs/POs
- Loan for various purposes (education, vacation, wedding expenses, settlement of bills and more)
- Flexible repayment terms with tenure ranging from 1-3 years
- Installments as per your comfort
- Competitive Rates
- Convenient application process
- Insurance optional

(*Terms & conditions apply as per policy of BAJK)

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BAJK
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Salary Sakoon

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BAJK Salary Sakoon

Meet your urgent domestic needs

Don't wait, if you are planning to renovate your house, making your wedding a memorable one, sending your children for professional/higher/foreign education, planning dream vacations, or buying home appliances, BAJK has a solution for your needs.

With **BAJK Salary Sakoon** you can obtain a unique term loan which offers unmatched features and flexibility. Designed for Permanent Employees of AJK Government entities **BAJK Salary Sakoon** has everything you can wish for.

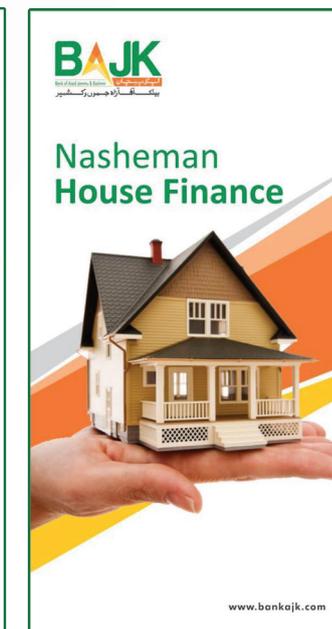
Salient Features *

- AJK/Pakistani national with valid CNIC
- Maximum Limit Up to Rs. 1 million or 15 take home salaries whichever is less
- Loan for various purposes (education, vacation, wedding, Renovation of house and more)
- Flexible repayment terms with tenure ranging from 1-5 years on monthly installment basis
- Age eligibility criteria: 21-59 years
- Minimum 3 years service
- Fixed monthly installments
- Competitive rates
- Convenient application process
- Early settlement option without penalty
- No hidden charges

(*Terms & conditions apply as per policy of BAJK)

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Nasheman House Finance

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BAJK Nasheman House Finance

BAJK is committed to serve its valued customers and their financial needs. To promote viable and cost-effective housing finance, Bank AJK offer products designed to meet specific housing needs including Home Purchase, Construction/Renovation of residential properties.

Home Purchase (House or Apartment)
Making your dream home ownership come true

Home Construction/ Renovation
To build your own dream house

Eligibility

- Age 21 to 55 years for salaried person & 21 to 60 years for businessman
- Minimum 3 years in service/business

Features *

- Finance repayment period 5 to 20 years
- Finance amount up to Rs.10 Million (60% of the property value)
- Affordable mark-up rate
- Applicant must be AJK resident national holding valid CNIC
- Clean eCIB and Data check reports
- Maintain an account with BAJK
- The property to have a valid title and approved building plans
- Debt to equity ratio 80:20

Other Benefits

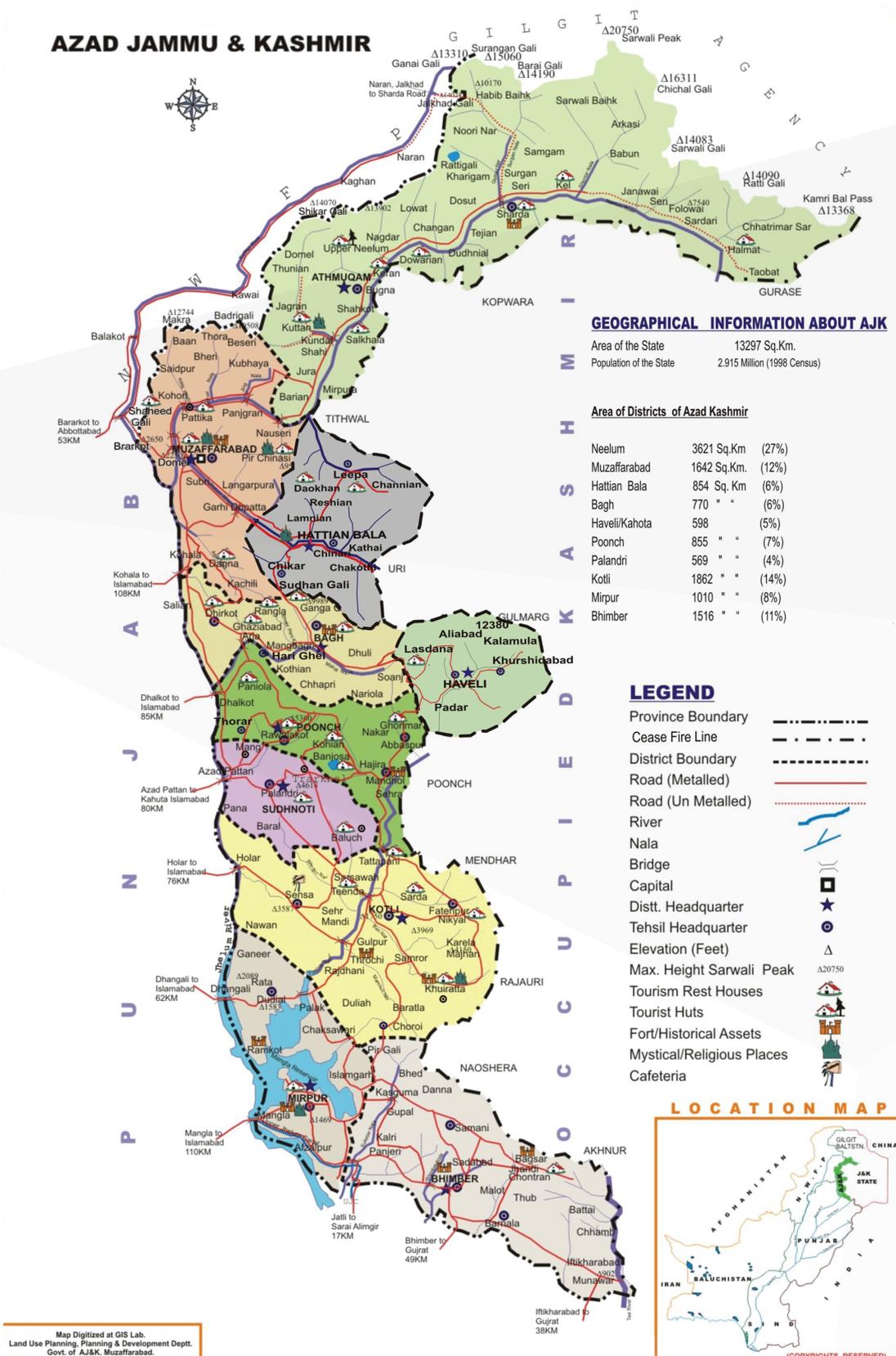
- Life and Property insurance
- Partial and Premature Adjustment of loan allowed

(*Terms & conditions apply as per policy of BAJK)

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AZAD JAMMU & KASHMIR



GEOGRAPHICAL INFORMATION ABOUT AJK

Area of the State 13297 Sq.Km.
Population of the State 2.915 Million (1998 Census)

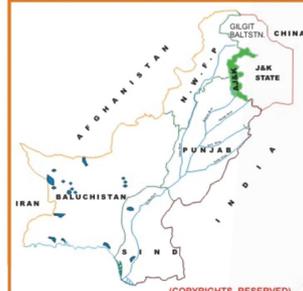
Area of Districts of Azad Kashmir

Neelum	3621 Sq.Km	(27%)
Muzaffargarh	1642 Sq.Km.	(12%)
Hattian Bala	854 Sq. Km	(6%)
Bagh	770 " "	(6%)
Haveli/Kahota	598 " "	(5%)
Poonch	855 " "	(7%)
Palandri	569 " "	(4%)
Kotli	1862 " "	(14%)
Mirpur	1010 " "	(8%)
Bhimber	1516 " "	(11%)

LEGEND

- Province Boundary
- Cease Fire Line
- District Boundary
- Road (Metalled)
- Road (Un Metalled)
- River
- Nala
- Bridge
- Capital
- Distt. Headquarter
- Tehsil Headquarter
- Elevation (Feet)
- Max. Height Sarwali Peak
- Tourism Rest Houses
- Tourist Huts
- Fort/Historical Assets
- Mystical/Religious Places
- Cafeteria

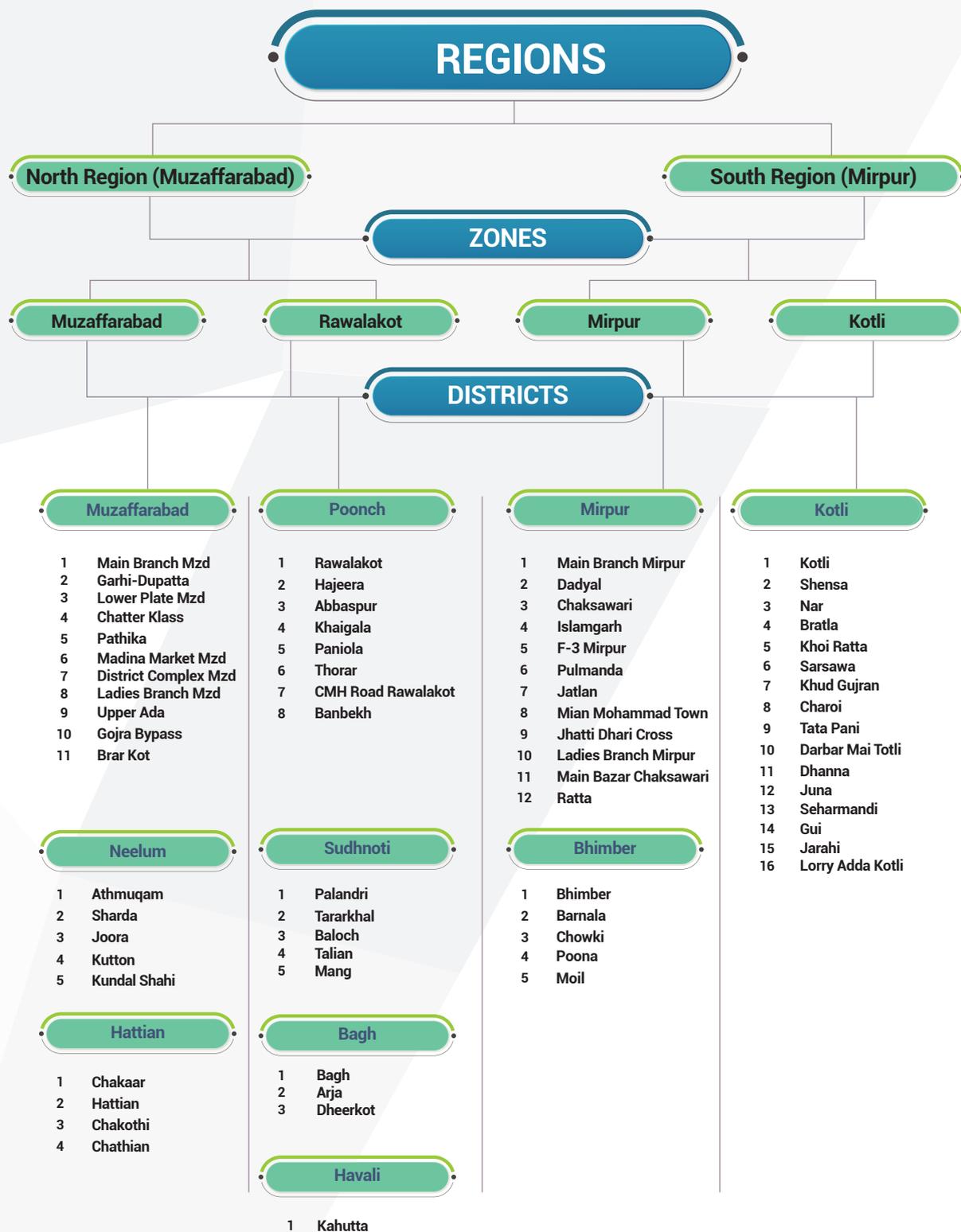
LOCATION MAP



Map Digitized at GIS Lab.
Land Use Planning, Planning & Development Deptt.
Govt. of AJ&K, Muzaffargarh.

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BRANCHES LOCATIONS



BRANCH NETWORK

(Together We Reach)

ZONE WISE ADDRESSES/CONTACTS OF BRANCHES

Main Branch Muzaffarabad (0001)

Bank Square, Chattar, Muzaffarabad
TEL: 05822-921254, 921181
FAX: 05822 921365
E-mail: manager0001@bankajk.com

Athmuqam Branch (0008)

Main Bazar Athmuqam,
District Neelum, AJK
TEL: 05821 920033
FAX: 05821 920034
E-mail: manager0008@bankajk.com

Gari-Dupata Branch (0017)

Main Bazar Gari-Dupata,
Muzaffarabad, AJK
TEL: 05822 922503
FAX: 05822 922502
E-mail: manager0017@bankajk.com

Lower Plate Branch (0018)

Near City Hospital Lower Plate,
Muzaffarabad, AJK
TEL: 05822 920466
FAX: 05822 442664
E-mail: manager0018@bankajk.com

Chatter Klass Branch (0019)

Main Bazar Chatter Klass,
Muzaffarabad, AJK
TEL: 05822 922302
FAX: 05822 922303
E-mail: manager0019@bankajk.com

Chakar Branch (0022)

Main Bazar Chakar, District Hattian, AJK
TEL: 05822 922003
FAX: 05822 922002
E-mail: manager0022@bankajk.com

Pathika Branch (0024)

Main Bazar Pathika,
District Muzaffarabad, AJK
TEL: 05822 922108
FAX: 05822-922109
E-mail: manager0024@bankajk.com

Madina Market Branch (0028)

Madina Market, Muzaffarabad, AJK
TEL: 05822 923126
FAX: 05822 923127
E-mail: manager0028@bankajk.com

Hattian Branch (0034)

Main Bazar Hattian, District Hattian, AJK
TEL: 05822 922631
FAX: 05822 922632
E-mail: manager0034@bankajk.com

Chakothi Branch (0037)

Main Bazar Chakhoti, District Hattian, AJK
TEL: 05822-921826
E-mail: manager0037@bankajk.com

District Complex Muzaffarabad Branch (0040)

Old Secretariat, District Complex,
Muzaffarabad
TEL: 05822-920187
FAX: 05822-920043
E-mail: manager0040@bankajk.com

Sharda Branch (0043)

Main Bazar Sharda, District Neelum, AJK
TEL: 05821-920802
FAX: 05821-920802
E-mail: manager0043@bankajk.com

Joora Branch (0052)

Joora, District Neelum, AJK
TEL: 05821 920502
FAX: 05821 920502
E-mail: manager0052@bankajk.com

Ladies Branch, Muzaffarabad (0053)

Hashim Plaza, Poultry Farm Road,
Muzaffarabad, AJK
TEL: 05822-923008
FAX: 05822-923007
E-mail: manager0053@bankajk.com

Upper Adda Branch (0061)

Near AJK University Campus, Muzaffarabad.
TEL: 05822-920746
FAX: 05822-920747
E-mail: manager0061@bankajk.com

Chathian Branch (0062)

Srinagar Road, Chathian Bazar
TEL: 05822-922514
FAX: 05822-922514
E-mail: manager0062@bankajk.com

Kuttan Branch (0063)

Kuttan, Tehsil Athmuqam, District Neelum
TEL: 05821-920302
FAX: 05821-920301
E-mail: manager0063@bankajk.com

Gojra Bypass Branch (0067)

Gojra Bypass Road, Muzaffarabad
TEL: 05822-923020
FAX: 05822-923019
E-mail: manager0067@bankajk.com

Kundal Shahi Branch (0069)

Main Bazar, Kundal Shahi, Tehsil Athmuqam,
Neelum Valley
Tel: 05821-920342
Fax: 05821-920343
E-mail: manager0069@bankajk.com

Brarkot Branch (0070)

Abbotabad Road Brarkot,
Tehsil & District Muzaffarabad AJK
Tel: 0345-5819658
E-mail: manager0070@bankajk.com

Rawalakot Zone

Rawalakot Branch (0006)

Gulf Shopping Complex,
Katchary Road, Rawalakot
TEL: 05824 920069
FAX: 05824 920068
E-mail: manager0006@bankajk.com

Bagh Branch (0010)

Main Bazar Bagh, AJK
TEL: 05823 920103
FAX: 05823 920104
E-mail: manager0010@bankajk.com

Arja Branch (0011)

Bagh/Rawalakot Chowk Arja,
District Bagh, AJK
TEL: 05823 921005
FAX: 05823 921006
E-mail: manager0011@bankajk.com

Pallandri Branch (0013)

Main Bazar Pallandri, AJK
TEL: 05825 920010
FAX: 05825 920009
E-mail: manager0013@bankajk.com

Hajeera Branch (0016)

Main Bazar Hajeera, District Rawalakot,
Azad Kashmir
TEL: 05824 920233
FAX: 05824 920234
E-mail: manager0016@bankajk.com

Dheerkot Branch (0023)

Main Bazar Dheerkot, District Bagh, AJK
TEL: 05823 921213
FAX: 05823 921214
E-mail: manager0023@bankajk.com

Bandi Abbaspur Branch (0025)

Pul Bazar Bandi Abbaspur,
District Poonch, AJK
TEL: 05824 921027
FAX: 05824 921028
E-mail: manager0025@bankajk.com

Khai-gala Branch (0030)

Main Bazar Khai-gala, District Poonch, AJK
TEL: 05824-920911
FAX: 05824 920912
E-mail: manager0030@bankajk.com

Trar-Khal Branch (0032)

Main Bazar Trar-khal, District Pallandri, AJK
TEL: 05825 920224
FAX: 05825 920223
E-mail: manager0032@bankajk.com

Kahutta Branch (0038)

Main Bazar Kahutta, District Haveli, AJK
TEL: 05823-921772
FAX: 05823-921772
E-mail: manager0038@bankajk.com

Paniola Branch (0039)

Main Bazar Paniola, District Rawalakot, AJK
TEL: 05824-921608
FAX: 05824-921608
E-mail: manager0039@bankajk.com

Bloch Branch (0041)

Main Bazar Bloch, District Pallandri, AJK
TEL: 05825-920316
FAX: 05825-920316
E-mail: manager0041@bankajk.com

Talian Branch (0049)

Main Bazar Talian, District Sadhnutti, AJK
TEL: 05826-471319
FAX: *****
E-mail: manager0049@bankajk.com

Thorar Branch (0050)

Main Bazar Thorar, District Rawalakot, AJK
TEL: 05824 921313
FAX: 05824 921313
E-mail: manager0050@bankajk.com

CMH Road Branch (0056)

CMH Road, Rawalakot, AJK
TEL: 05824 920545
FAX: 05824 920544
E-mail: manager0056@bankajk.com

Banbehk Branch (0060)

Tehsil & District Poonch, AJK
TEL: 05824 921106
FAX: 05824 921106
E-mail: manager0060@bankajk.com

Mang Branch (0068)

Near AC Office, Mang Bazar.
TEL: 05825- 920715
FAX: 05825- 920716
E-mail: manager0068@bankajk.com

Mirpur Zone

Main Branch Mirpur (002)

Chowk Shaheedan Mirpur, District Mirpur
TEL: 05827-921448
FAX: 05827-921446
E-mail: manager0002@bankajk.com

Dadyal Branch (0003)

Maqbool Butt Shaheed Chowk, Dadyal
TEL: 05827 923070
FAX: 05827 923069
E-mail: manager0003@bankajk.com

Chaksawari Branch (0004)

Opposite Al-Shahzad Hotel Chaksawari
TEL: 05827 922664
FAX: 05827 922665
E-mail: manager0004@bankajk.com

Islamgarh Branch (0009)

Main Bazar Islamgarh, District Mirpur, AJK
TEL: 05827 922562
FAX: 05827 922563
E-mail: manager0009@bankajk.com

Bhimber Branch (0012)

Main Bazar Bhimber, AJK
TEL: 05828 920505
FAX: 05828 920506
E-mail: manager0012@bankajk.com

Mirpur F-3 Branch (0015)

Sector F-3 Mirpur, AJK
TEL: 05827 920439
FAX: 05827 920440
E-mail: manager0015@bankajk.com

Pulmenda Branch (0027)

Main Bazar Pulmenda, District Mirpur, AJK
TEL: 05827 922260
FAX: 05827 922261
E-mail: manager0027@bankajk.com

Barnala Branch (0029)

Main Bazar Barnala, District Bhimber, AJK
TEL: 05828 922064
FAX: 05828 922063
E-mail: manager0029@bankajk.com

Chowki Branch (0033)

Main Bazar Chowki, District Bhimber, AJK
TEL: 05828 922162
FAX: 05828 922261
E-mail: manager0033@bankajk.com

Poona Branch (0035)

Main Bazar Poona, District Bhimber, AJK
TEL: 05827-485533
FAX: 05827-485533
E-mail: manager0035@bankajk.com

Jatlan Branch (0045)

Main Bazar Jatlain, District Mirpur, AJK
TEL: 05827-922764
FAX: 05827-922764
E-mail: manager0045@bankajk.com

Mian Muhammad Town Branch (0046)

Main Muhammad Town, District Mirpur, AJK
TEL: 05827-920442
FAX: 05827-920442
E-mail: manager0046@bankajk.com

Jhatti Dheri Branch (0047)

Jhatti Dheri Cross, District Mirpur, AJK
TEL: 05827-922564
E-mail: manager0047@bankajk.com

Ladies Branch Mirpur (0054)

Haris Plaza Chowk, Shaheedan
Sector C-2 Mirpur, AJK
TEL: 05827-920405
FAX: 05827-920406
E-mail: manager0054@bankajk.com

Main Bazar Chaksawari Branch (0057)

Main Bazar Chaksawari, Tehsil &
District Mirpur, AJK
TEL: 05827-922666
E-mail: manager0057@bankajk.com

Ratta Branch Mirpur (0058)

Allah Abad Market, Main Road Ratta,
Tehsil Dadyal, District Mirpur
TEL: 05827-923011
FAX: 05827-923010
E-mail: manager0058@bankajk.com

Moil Branch (0059)

Main Bazar Moil, Tehsil & District Bhimber.
E-mail: manager0059@bankajk.com

Kotli Zone

Kotli Branch (0005)

Poonch / Rawalpindi Road, Kotli
TEL: 05826 920241
FAX: 05826 920242
E-mail: manager0005@bankajk.com

Sehnsa Branch (0007)

Main Bazar Sehnsa, AJK
TEL: 05826 923062
FAX: 05826 923063
E-mail: manager0007@bankajk.com

Nar Branch (0014)

Main Bazar Nar, District Kotli, AJK
TEL: 05826 921061
FAX: 05826 921060
E-mail: manager0014@bankajk.com

Bratla Branch (0020)

Main Bazar Bratla, District Kotli, AJK
TEL: 05826 475094
FAX: 05826 475094
E-mail: manager0020@bankajk.com

KhuiRatta Branch (0021)

Main Bazar KhuiRatta, District Kotli, AJK
TEL: 05826 921863
FAX: 05826 921862
E-mail: manager0021@bankajk.com

Sarsawa Branch (0026)

Main Bazar Sarsawa, District Kotli, AJK
TEL: 05826 921163
FAX: 05826 921164
E-mail: manager0026@bankajk.com

Khad-Gujran Branch (0031)

Main Bazar Khad-Gujran, District Kotli, AJK
TEL: 05826 922361
FAX: 05826 922362
E-mail: manager0031@bankajk.com

Charhoi Branch (0036)

Main Bazar Charhoi, District Kotli, AJK
TEL: 05826-922165
FAX: 05826-922165
E-mail: manager0036@bankajk.com

Tatta-Pani Branch (0042)

Main Bazar Tatta-Pani, District Kotli, AJK
TEL: 05826-921461
FAX: 05826-921461
E-mail: manager0042@bankajk.com

Mi-Toti Branch (0044)

Main Bazar Mi-toti, District Kotli, AJK
TEL: 05826-921865
FAX: 05826-921865
E-mail: manager0044@bankajk.com

Dhanna Branch (0048)

Dhanna Bazar, District Kotli, AJK
TEL: 05826-921761
FAX: 05826-921761
E-mail: manager0048@bankajk.com

Juna Branch (0051)

Main Bazar Juna, District Kotli, AJK
TEL: 05826 474441
E-mail: manager0051@bankajk.com

Seharmandi Branch (0055)

Main Bazar Seharmandi,
Tehsil Sehensa, District Kotli, AJK
TEL: 05826-923150
FAX: 05826-923150
E-mail: manager0055@bankajk.com

Jarahi Branch (0064)

Tehsil Dolya Jattan, District Kotli, AJK
TEL: 05826-923350
FAX: 05826-923351
E-mail: manager0064@bankajk.com

Goi Branch (0065)

District Kotli, AJK
TEL: 0526-480649
E-mail: manager0065@bankajk.com

Lorry Adda Kotli Branch (0066)

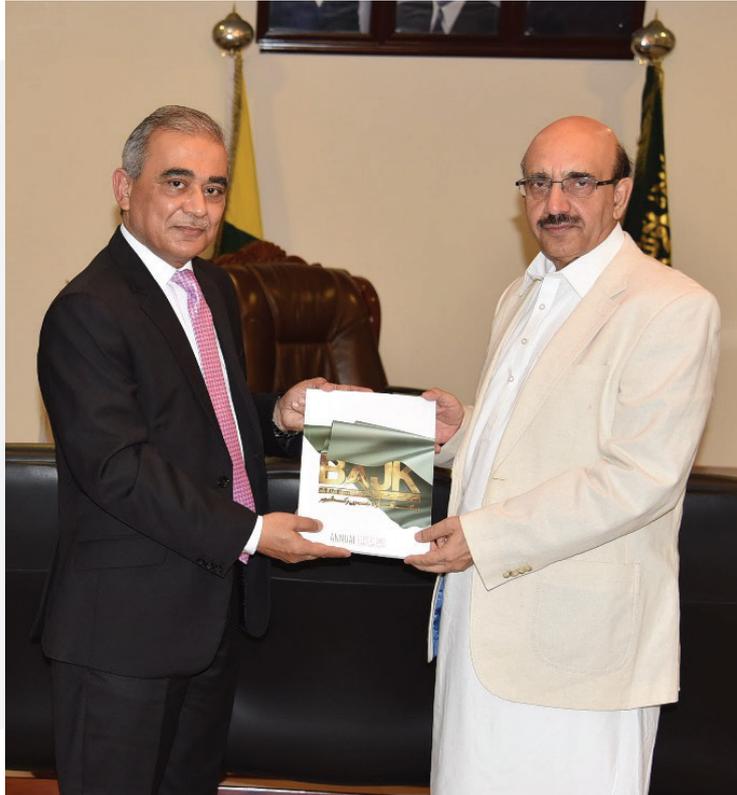
Tehsil & District Kotli, AJK
TEL: 05826-920247
FAX: 05826-920248
E-mail: manager0066@bankajk.com





EVENT GALLERY





President/CEO BAJK MR. Imran Samad Presenting
Annual Report 2017 to Sardar Masood Khan President State of AJK



Prime Minister AJK Raja Muhammad Farooq Haider Khan
Inaugurating "Chaudhry Ghulam Abbas
Learning Hall" at BAJK Head Office, Muzaffarabad



Speaker AJK Legislative Assembly Shah Ghulam Qadir
Inaugurating 69th Branch of BAJK
at Kundal Shahi Neleem Valley

Board of Director's Meetings At a Glance



BoD Executive Committee Meetings



Secretary Finance AJK Mr. Fareed Ahmad Tarar Chairs BoD Executive Committee Meetings

BoD Audit Committee Meetings



SMBR AJK Mr. Fayyaz Ali Abbasi Chairs BoD Audit Committee Meetings

BoD IT Committee Meetings



Memorandum of Understandings



MOU with Suzuki Muzaffarabad Motors



MOU with Mirpur University of Science & Technology (MUST)

Business Review



South Region Excellence Week Celebrations





BAJK Team Celebrating Kashmir Solidarity Day at Mangla Mirpur



President/CEO Mr. Imran Samad presides over a meeting with State Bank of Pakistan officials at BAJK Head office Muzaffarabad



President/CEO Mr. Imran Samad presides over a meeting of CRBD

Trainings & Workshops



Trainings & Workshops were Organized and Conducted by Compliance and Training Division at Muzaffarabad, Mirpur, Kotli & Rawalakot



Habib Metro Bank Team Visits at BAIK Head Office Muzaffarabad



BAJK 12th Anniversary Celebrations

Launching of Hamsafar Car Finance Scheme





BAJK Team Visits SMBR Office At Muzaffarabad



President /CEO Inaugurates SAMD offices at BAJK Head Office



Women Day Celebrations at Mirpur



BAJK Cricket Team played 15th State Bank of Pakistan Governor's Cup held at Narol Cricket Stadium Muzaffarabad



Ganga Peak Bagh, AJK

CODE OF CONDUCT





Code of
conduct

1.1 Introduction

The employees entering into the service of the Bank, both permanent and on contract shall have to abide by the rules, regulations and are desired to display highest standards of ethics, honesty, integrity, efficiency, obedience, allegiance to the institution, faithfulness, adherence to business practices and code of conduct. All employees must ensure that their actions and conduct protect and promote the reputation and image of the Bank. Whatever an employee does or says should not cause the Bank embarrassment or bring the Bank into disrepute in the public eye, especially as regards the impartiality and fairness of the Bank.

THIS CODE:

- Is mandatory for compliance by all employees, whether full or part time, employed, directly or indirectly through a service contract and wherever located
- Also applies as a general guideline to the Directors, mutatis mutandis
- Sets out maximum standards of good banking practices and lays down core values relating to the lawful and ethical conduct of our business activities and provides guidance to all. While the Code provides guidance on the aspects of integrity and impartiality, it cannot and does not cover every situation an employee may encounter. If an employee is uncertain about what to do in a particular situation, guidance should be sought from the Reporting Officer or the concerned Manager
- Does not alter or replace the duties and responsibilities of some of the employees as specifically defined in Banking and Corporate Laws applicable to the Bank
- May be amended or varied generally or specifically with the approval of the Board of Directors for changes due to regulations, laws and practices
- Is not meant to be a complete record of our relationship with customers. Specific products and services have their own terms and conditions, and these will continue to govern customer relationships with regard to the use of those products and services

Each employee must be fully aware of the provisions of this Code

1.2 General Guidelines

Every employee shall:

- Conform to and abide by the Bank's rules and obey all lawful orders and directives which may, from time to time, be given by any person or persons under whose jurisdiction, superintendence or control he may, for time being, be placed. He shall undertake at all times to comply with all applicable laws, regulations and policies of the Bank
- Stand firmly against supporting the activities of any group or individual that unlawfully threatens public order & safety. He shall not be a member of any political party, take part in, subscribe in aid of or assist in any way, any political movement in and out of Azad Jammu & Kashmir/Pakistan or relating to the affairs of Azad Jammu & Kashmir/Pakistan. He shall not express views detrimental to the ideology, sovereignty of state of Azad Jammu & Kashmir/Pakistan.
- Not confess or otherwise interfere or use his influence in connection with or take part in any election as a candidate of legislative/ local body or issue statement or address the electorate or in any manner announce or allow to be announced publicly as a candidate or prospective candidate whether in Azad Jammu & Kashmir/Pakistan or elsewhere. He may, however, exercise his right to vote
- Not bring or attempt to bring political or other pressure/influence directly or indirectly to bear on the authorities/superior officers or indulge in derogatory pamphleteering, contribute, or write letters to newspapers, anonymously or in his name with an intent to induce the authority/superior officers to act in a manner inconsistent with the rules, in respect of any matters relating to appointment, promotion, transfer, retirement, or for any other conditions of service employment

1.3 Integrity

Every employee shall:-

- Conduct the highest standards of ethics, professional integrity and dignity in all dealings with public, clients, investors, employees of the Bank. He shall not engage in acts of discrediting the Bank. If he becomes aware of any irregularity that might affect the interest of the Bank, he will inform the Bank immediately
- Avoid all such circumstances in which there is conflict of personal interest or appears to be in conflict with the interests of the Bank or its customers

- Not use his status to seek personal gains from those doing business or seeking business from BAJK, or accept any gains if offered. He shall not accept any sort of gifts, favor, benefits, frequency of which exceeds normal business contact from a customer, constituent likely to have dealing with BAJK and candidates for employment in the Bank
- Not accept any benefit from the estate of or a trust created by a customer or from an estate or trust of which Bank's company or business unit is an executor, administrator or trustee

1.4 Conflict of Interest

Circumstances should be avoided in which personal interest conflicts or may appear to conflict with the interest of the Bank or its customers.

Circumstances may arise where an employee, his / her spouse or family member directly or indirectly holds a business interest which conflicts or may conflict with the Bank's interest. In order to ensure that the Bank makes objective decisions, employee must declare in advance such interest to the Management through the Reporting Officer.

Any involvement in an outside activity or any external position held by an employee:

- Must not give rise to any real or apparent conflict with a customer's interest
- Must not adversely reflect on the Bank
- Must not interfere with an employee's job performance

Employees must not negotiate or contract on behalf of the Bank with an enterprise in which they have a direct or indirect interest.

Employees on the payroll of BAJK must not undertake any other employment, whether part time, temporary or other, or act as consultant, director or partner of another enterprise except with the prior permission of the Managing Director of the Bank.

In case of doubt about whether a particular circumstance / situation would create conflict of interest, employees should first consult their Reporting Officer or the concerned Manager for seeking guidance before taking action.

1.5 Professionalism

Every employee shall:-

- Serve the Bank honestly and faithfully and shall strictly serve Bank's affairs and the affairs of its constituents. He shall use his utmost endeavor to promote the interest and goodwill of the Bank and will show courtesy and attention in all acts/transactions/ correspondences
- Disclose and assign to Bank all interest in any invention, improvement, discovery or work of authorship that he may make or conceive. If his employment is terminated, all rights to intellectual property and information generated or obtained as part of his employment shall be terminated, and shall remain the exclusive property of the Bank

1.6 Know Your Customer

Commonly referred to as KYC, is the process to ensure that the Bank is not used for any unlawful transactions. This is achieved by obtaining sufficient information about the customers to reasonably satisfy us as to their reputation, their standing and the nature of their business activities.

Effective use of "Know Your Customer" and customer's due diligence discourages money laundering, which uses Banks as vehicles to disguise or "launder" the proceeds of criminal activities. Involvement in such activities undermines Bank's integrity, damages its reputation, deters honest customers and leads the Bank to severe sanctions.

All employees, particularly working in the customer services areas, must establish the identity of every new customer from reliable identifying documents. For existing customers, they must remain vigilant and aware of:

- Activities not consistent with customer's business
- Unusual characteristics or activities
- Attempts to avoid reporting or record keeping requirement
- Unusual or erratic movement of funds

A suspicion that funds transacted with the Bank stems from illegal activities, must be reported internally to the Reporting Officer or concerned Manager.

1.7 Personal Investments

Personal transactions actual or intended transactions, usually in marketable investments, by employees for their own account or in which employees have direct power to make decisions or influence the decisions of persons connected with them by reason of family or business relationship.

Employees must ensure that no conflict of interest arises between their personal transactions and corporate and customer

responsibilities. Employees must never attempt to use their position in BAJK to obtain an advantage to buy and sell investments.

Employees in doubt about the propriety of any proposed personal transaction should consult their Reporting Officer or the concerned Manager.

Employees shall not, at any time, carry out:

- Short sales of marketable securities or currencies or any other form of trading which is speculative in nature in their own account or for the account of their spouse or family members
- Trading in shares, securities or currencies which involve improper use of unpublished, price sensitive information for personal benefit

1.8 Relations with Regulators

Relationship with Regulators is one of the most important relations, which BAJK maintains with the aim of developing mutual confidence and trust.

All employees must comply in letter and spirit, with legal and regulatory requirements applicable to the activities in which we engage.

In case a regulation appears to conflict with the provision of any other regulation or laws, or compliance appears to be impractical or against the general banking ethics, it must be reported to the competent authority for appropriate action. Under no circumstances a violation of a regulation should be committed.

1.9 Relationship with Competitors

Except in situations where the Bank is participating in a transaction with other Bank(s), no employee shall have any agreement, understanding or arrangement with any competitor with respect to pricing of services, profit rates and/or marketing policies, which may adversely affect the Bank's business.

1.10 Gifts and Entertainment

Gifts, business entertainment or other benefits from a customer or a supplier/vendor, which appear or may appear to compromise commercial relationships must not be accepted by the employees.

Employees may, however, accept normal business entertainment or promotional items appropriate to the circumstances with prior intimation to the Reporting Officer or the Manager.

In the event that a gift must be accepted for reason of customer's insistence and sensitivity of relationship, such gifts must be surrendered to the Head of Human Resources Division along with reasons of acceptance.

Under no circumstances an employee shall either directly or indirectly accept any amount of money, however small, as gift, gratuity, subscription or reward from any employee of the Bank, customer, supplier or vendor.

Customers who wish to express gratitude for the services of BAJK should be requested to send a letter of appreciation.

1.11 Office Attendance

Every employee shall attend the office in time and shall not leave the office before closing hours. An employee coming late shall hold himself liable for disciplinary action and to the debit of one earned leave from his leave account.

1.12 Corporate Culture

The Bank recognizes its staff members' personal behavior and interaction with others as a vital part of their duties in a particular position. In order to achieve the desired level of performance and corporate objectives, preservation of congenial and professional working environment is encouraged.

BAJK seeks to create an environment where all persons are treated equally and with respect, where person's rights are respected, efforts of staff encouraged and their achievements given due recognition.

1.13 Customer Relationship

Knowing our customers and their needs is the key to our business success. Fairness, truthfulness and transparency govern our

customer relationships in determining the transactional terms, conditions, rights and obligations.

All employees must be committed to the continued development of excellence in service culture in which BAJK consistently seeks to exceed customers' expectations. Employees should seek to understand customers' financial circumstances and needs to be able to provide them with the most suitable products and services.

All employees must ensure that any advice given to the customer is honest and fairly expressed and restricted only to those services or products where the Bank has the relevant expertise and authority.

1.14 Business/Work Ethics/Discipline Every employee shall:

- Respect colleagues and work as a team. He shall at all times be courteous and not let any personal differences affect his work. He shall treat every customer of BAJK with respect and courtesy
- Make sure of good attendance and punctuality and demonstrate a consistently good record in this area. For any absence during work hours during his placement to BAJK clients, he shall obtain written permission of his immediate supervisor.
- Maintain standard of personal hygiene and dress appropriately for attendance at work. Appearance must inspire confidence and convey a sense of professionalism
- In person responsible for safe guarding both tangible and intangible assets of BAJK that are under his personal control. He shall not use Bank's asset for his personal benefits except where permissible and customary.
- Help in maintaining a healthy and productive work environment. Shall not engage in selling, distributing, using any illegal substance or being under influence of illegal drugs while on job
- Ensure strict adherence to all health and safety policies as may be implemented from time to time by the Bank.
- Intimate BAJK of any changes in the personal circumstances relating to his employment or benefits.
- Not accept or seek any outside employment or office whether stipendiary or honorary.
- Not undertake part time work for a private or public body or private person, or accept fee thereof, during the service of the Bank

1.15 Women at Work Place

BAJK is destined to provide its employees, irrespective of gender and without prejudices, a working environment where they feel completely secured and satisfied to perform at the optimum level. Being an equal opportunity employer, the Bank provides a progressive environment for all its employees to progress and contribute regardless of their cast, creed, religion or gender. Female employees form a formidable work force of the Bank and essentially deserve complete protection. They are mutually respected and protected by the fellow employees and the complaints of mistreatment, bias or prejudices are rare. However, in order to benefit them from State's commitment to effectively safeguard them from perpetrators, the Bank has decided to adopt and enforce provisions of 'The Protection against Harassment of Women at the Workplace Act 2010', in all the branches and offices, forthwith.

1.16 Maintaining Confidentiality Confidential information comprises of:-

- Any non-public, written or oral, information received directly or indirectly from a customer, prospective customer or a third party with the expectation that such information shall be kept confidential and used solely for the business purposes of the customer, prospective customer or the third party
- BAJK's proprietary information that includes any analyses or plans created or obtained by any BAJK Division, Department or Branch

All BAJK employees have a duty to safeguard confidential information, which may come to their possession during their day-to-day work. Respect for customer's private affairs, requires the same care as does the protection of the Bank's own affairs or other interests.

This duty of confidentiality involves not divulging information to third parties other than in the following circumstances:

- i. Where the customer concerned has given permission to do so
- ii. Where the Bank is legally compelled to do so
- iii. Where there is a duty to disclose information to public
- iv. Where it is necessary for the Bank to present its case - e.g. in court or in other circumstances of a related nature

Confidentiality applies whether the information has been obtained from those to whom the Bank does business or from sources within the Bank. All such information should only be used for the purpose for which it is intended and must not be used for the personal benefit of an employee, his/her spouse or family member.

All employees must sign a declaration of confidentiality / secrecy and must comply with the procedures and regulations.

1.17 Dress Code

In order to keep the office environment professional, it is mandatory for all employees to follow a strict dress code.

1.17.1 Male

The following dress code is permissible for all male employees of the organization.

1. Dress Shirt and Trouser – In neutral colors, which must be clean and neatly pressed. Shirts should be properly buttoned. Ties shall be properly knotted.
2. Shalwar Kameez – Although Shalwar Kameez is our national dress and people should be encouraged to wear the national dress, extra care should be taken when opting to wear Shalwar Kameez, as it can look very shabby if not properly maintained. Shalwar Kameez should be in neutral colors, it must be clean and immaculately pressed. Kameez should be properly buttoned along-with waistcoats.

1.17.2 Female

The following dress code is permissible for all female employees of the organization.

Shalwar, Kameez and Dupatta- In subtle color, clean and neatly pressed. Female staff should avoid dressing garishly by avoiding jewellery and hair clips as much as possible. Small sized ear-rings are permissible as part of jewellery.

1.18 Compliance

All BAJK employees are fully committed to ensuring that all business decisions and actions comply with all applicable laws and regulations and to observe good standards of behavior and practice in accordance with the industry practices. Accordingly, all employees must acquaint themselves with all applicable laws and regulations.

Senior Management will ensure that:

- All employees are aware of this Code
- No employee shall be asked to do anything that would contravene this Code
- Queries and concerns arising under this Code will be dealt with properly and may be addressed to the Human Resource Management Division at Head office

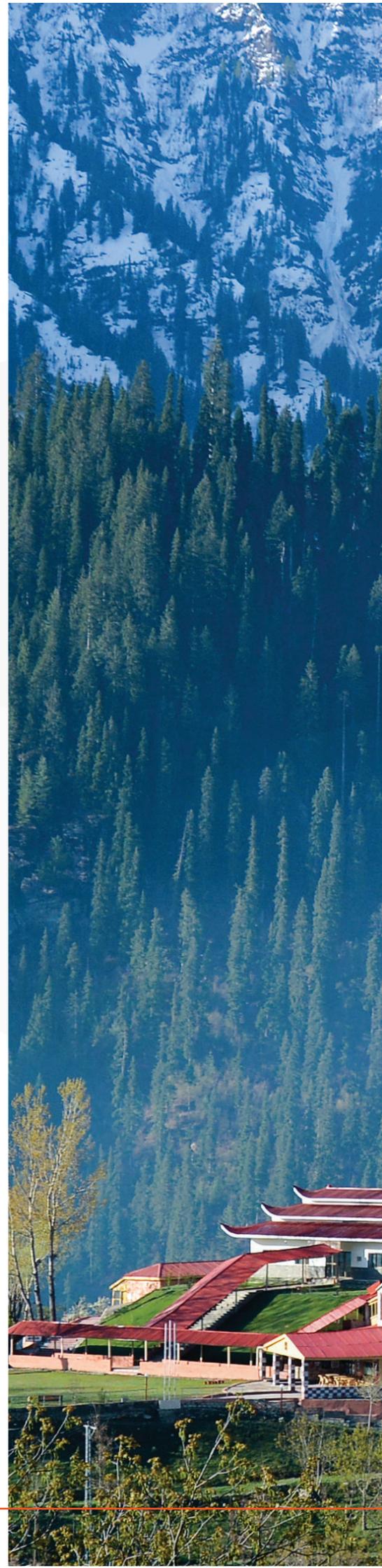
1.19 Special Conditions

Every employee shall not indulge in any of the following:-

- Borrow money from or in any way place himself under pecuniary obligations to a broker, moneylender, client, employee of the Bank or of any firm or person having dealing with the Bank
- Buy or sell stocks, shares or securities of any description without funds to meet the full cost in the case of purchase or scripts for delivery in the case of sale. However he can make a bonafide investment of his own funds in such stocks, shares and securities as he may wish to buy.
- Lend money in his private capacity to a constituent of the Bank or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government papers or any other securities
- Act as an agent for insurance company otherwise than as an agent for or on behalf of the Bank

1.20 Certification

Each employee in the Bank shall be required to read/review this Code each year and certify in writing that he/she understands his/her responsibilities to comply with the provisions set forth herein





Kel Neelam Valley AJK

