

INNOVATION

is the
BRIDGE
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PRESENT
and the
FUTURE



**ANNUAL
REPORT
2022**

BAJK

Bank of Azad Jammu & Kashmir

بینک آف آزاد جموں و کشمیر

www.bankajk.com

2022

BAJK

Bank of Azad Jammu & Kashmir آپ کی پہچان

بینک آف آزاد جموں و کشمیر

www.bankajk.com

ONE BANK

ONE TEAM



01	Core Values
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A hand is shown holding a tall stack of silver coins. The background is a cityscape at night, with lights from buildings and streets visible. The overall color scheme is a dark green with a yellow accent on the letter 'O' in the word 'MISSION'.

MISSION

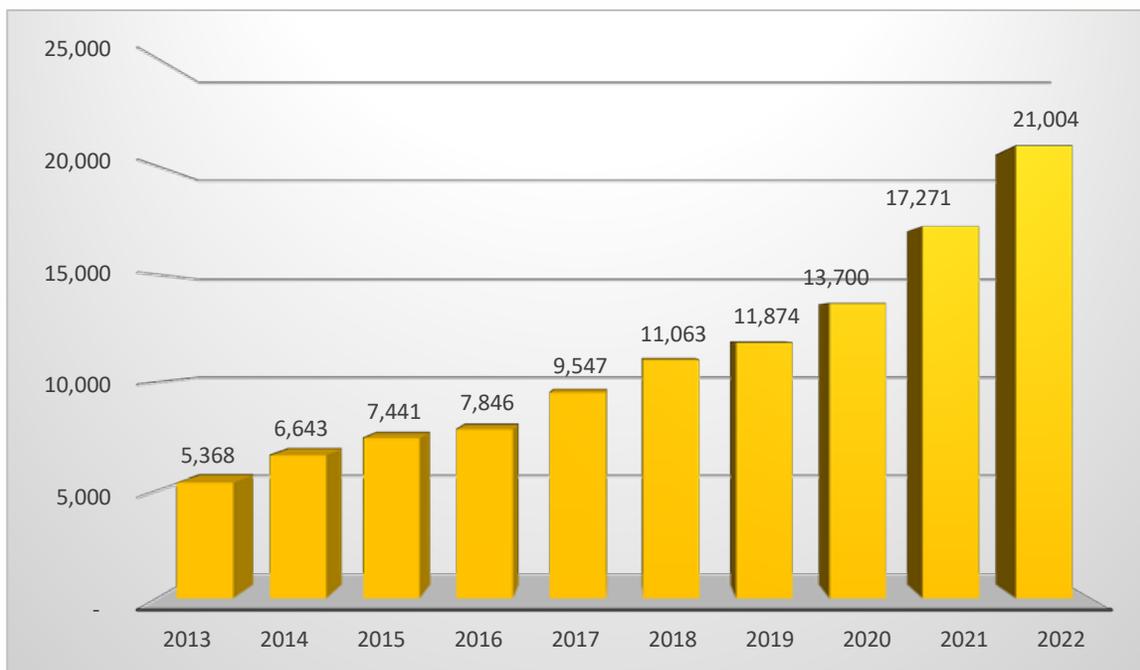
To acquire market leadership through quality banking services, customized products, best business practices, merit and performance culture and participation in development process of the state for the well-being of its people.



CORE VALUES

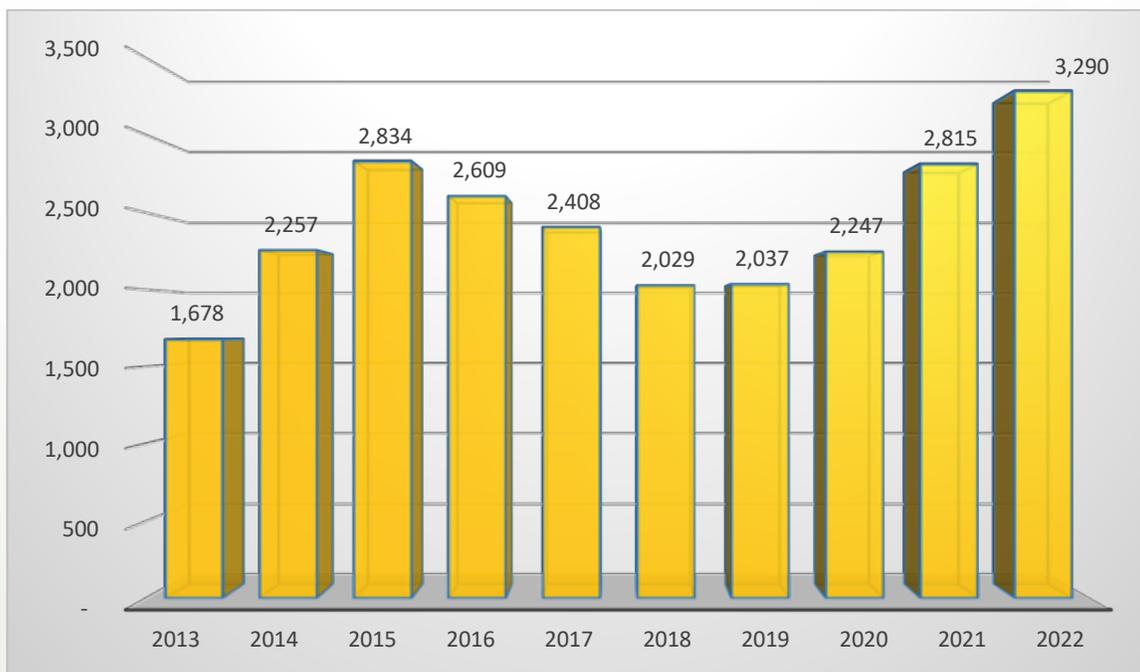
DEPOSITS

Rupees in Million

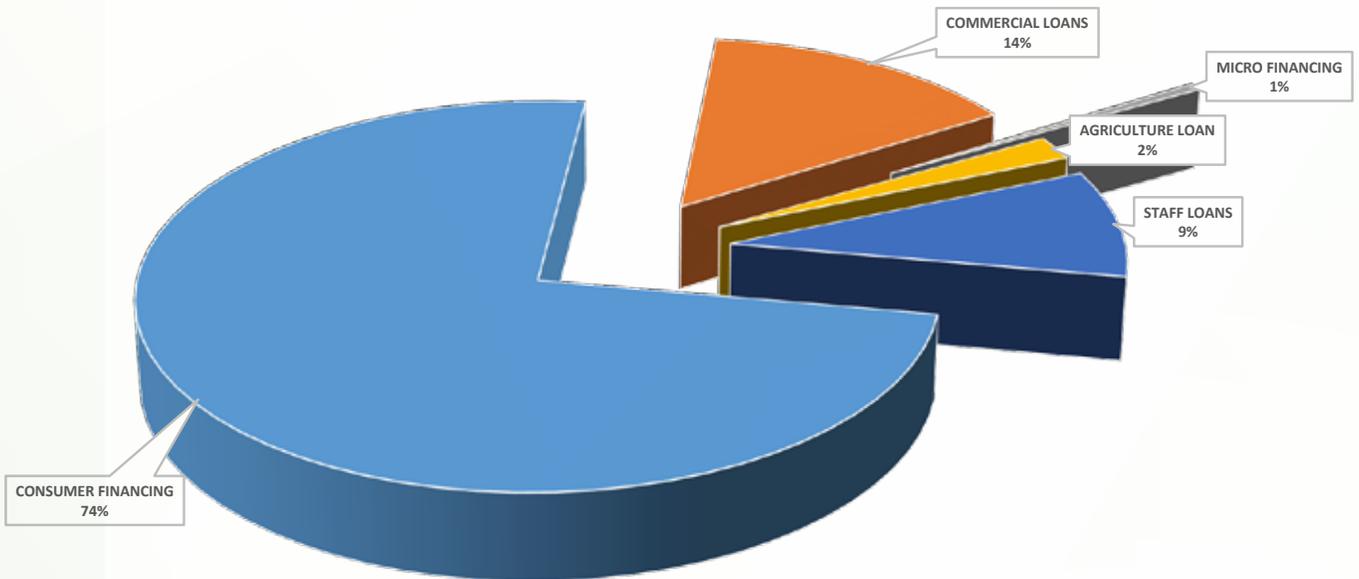


ADVANCES

Rupees in Million

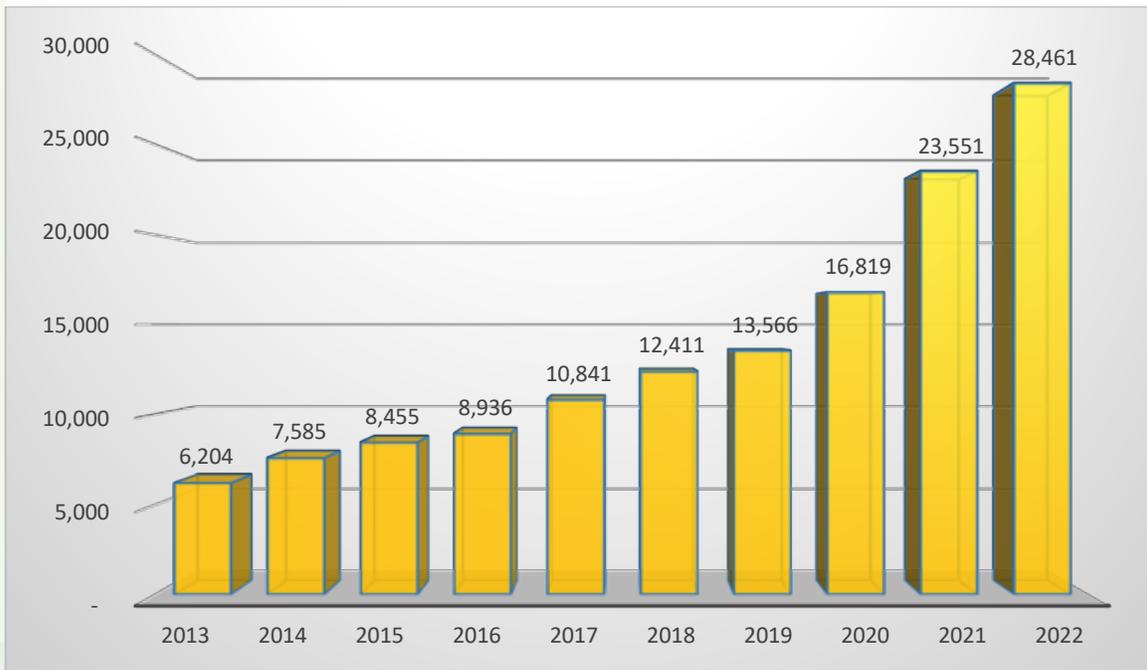


ADVANCES Mix (%)

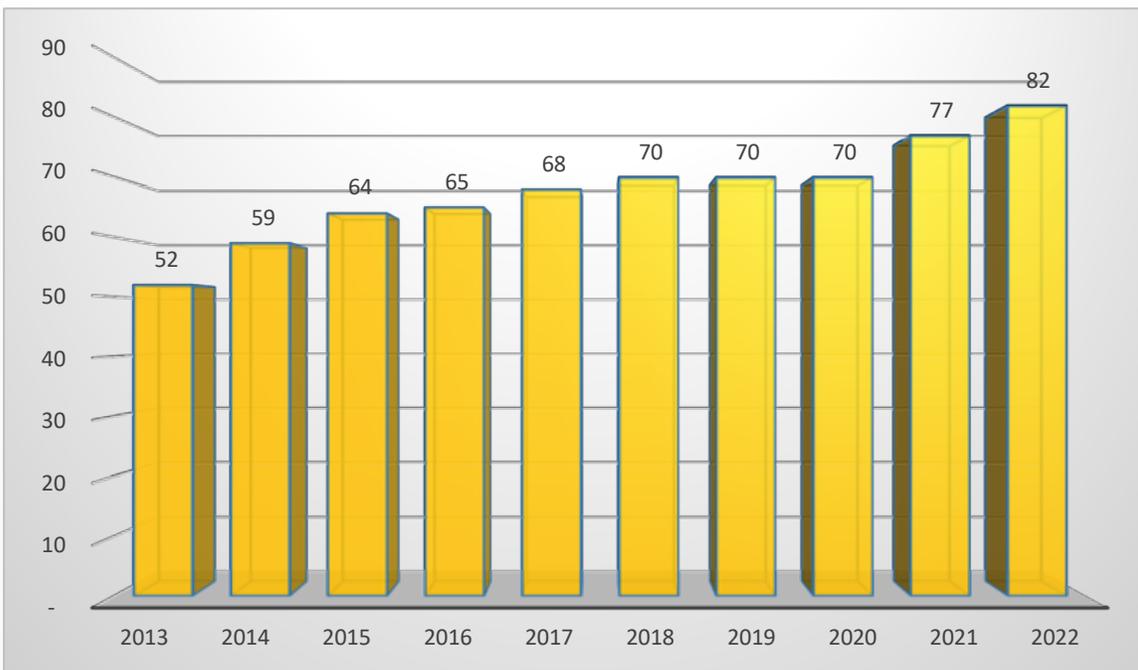


ASSETS

Rupees in Million

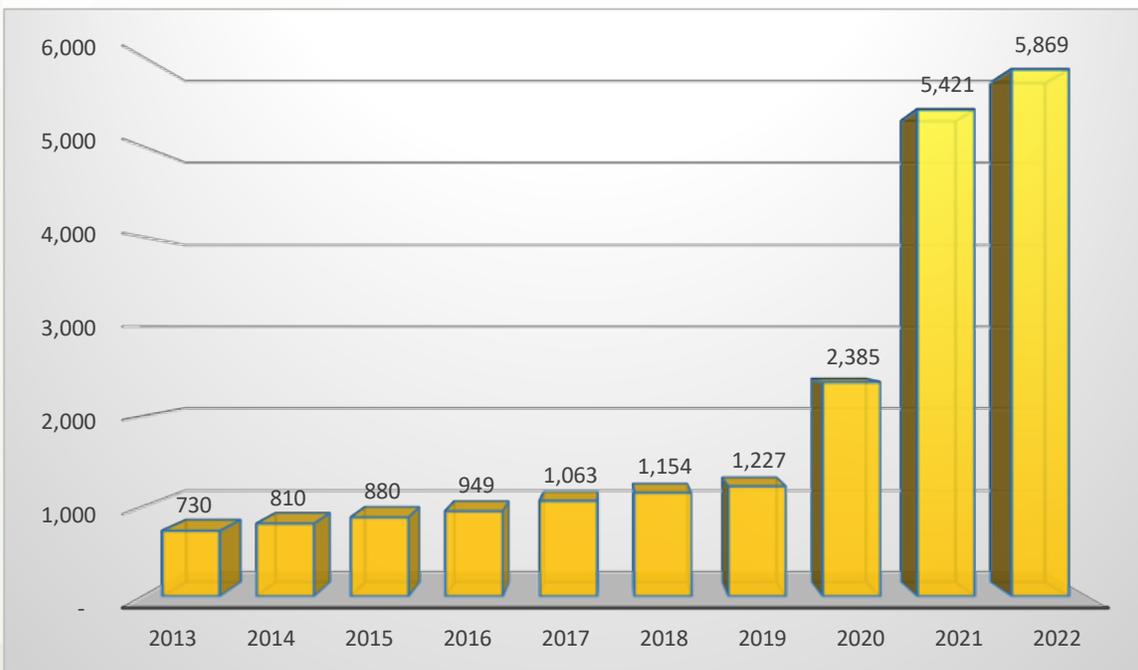


NO. OF BRANCHES



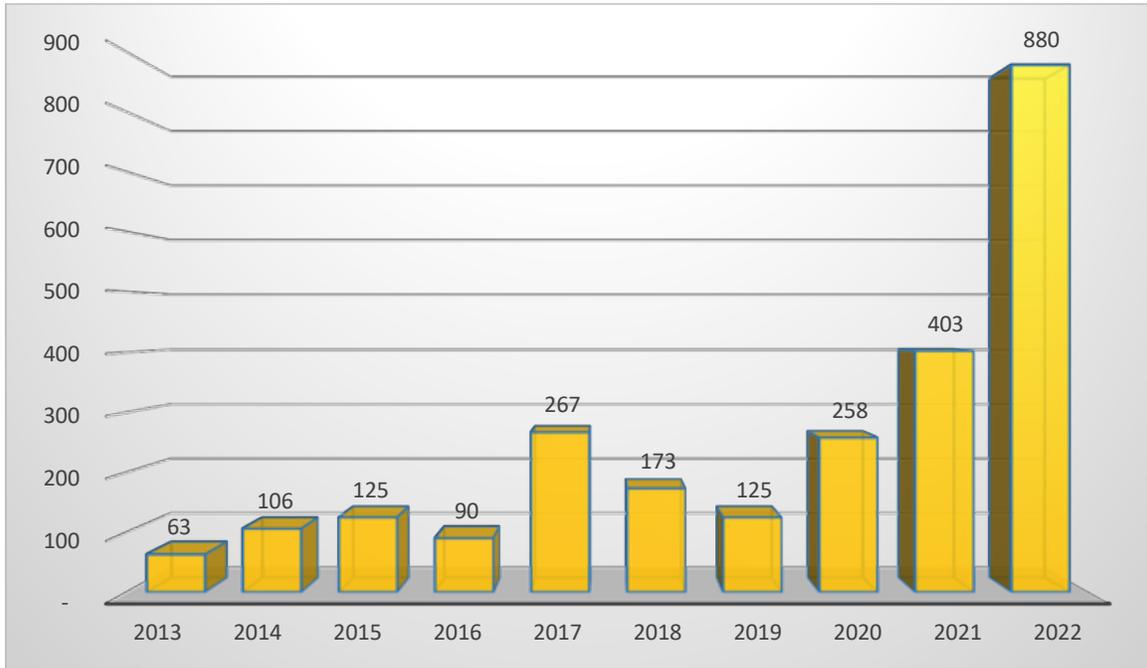
EQUITY

Rupees in Million



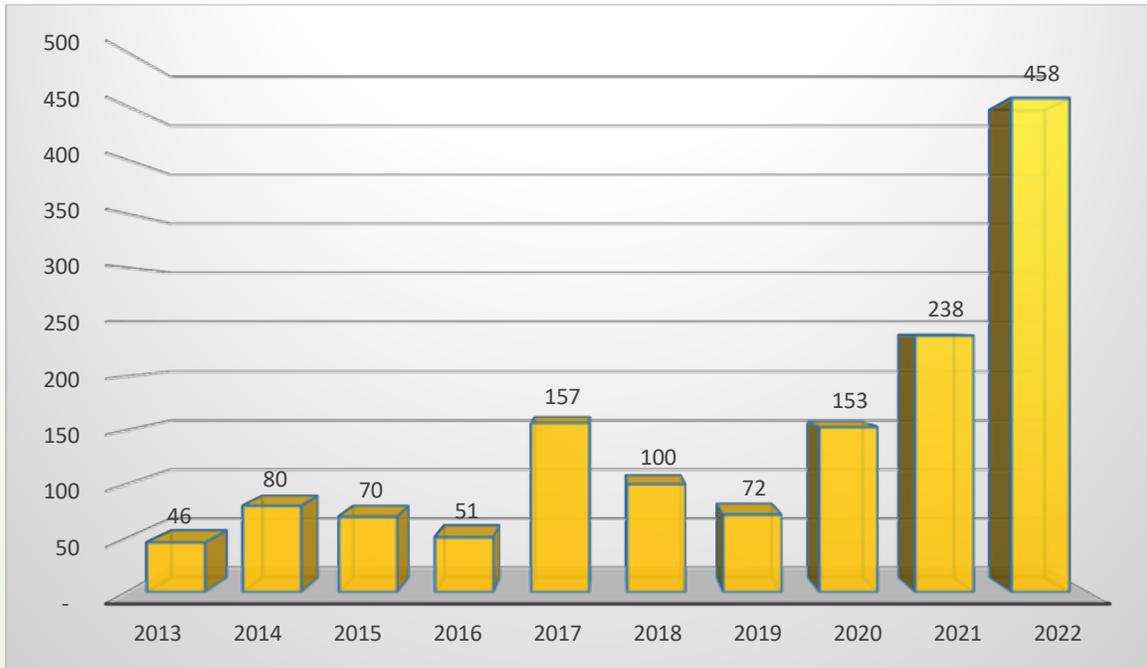
PROFIT BEFORE TAX

Rupees in Million



PROFIT AFTER TAX

Rupees in Million



CUSTOMIZED PRODUCTS



CONSUMER FINANCING

Advance Salary Scheme

Don't worry about your urgent Domestic/ personal/ family needs like education of kids, marriage of children and medical requirements. BAJK provides you a hassle free finance against your salary.

Gold Loan

Save Gold- spend money. Keep your gold in safe hands and enjoy consumption of money there against for your urgent needs on lowest mark-up rates.

House Loan

BAJK offers loan facility for Construction/ Renovation / Purchase of residential house/ apartments in AJK at reasonable/ affordable easy terms.

Personal Loan

To facilitate your urgent domestic and personal needs, BAJK makes it possible by providing financial facility in shape of Personal Loan so that you could easily take care of your children's education, marriages, house renovation etc. Just avail this facility and enjoy tension-free life.

Car Finance

Enjoy comfortable traveling with your family. Facilitate pick and drop of your kids. BAJK offers purchase of brand new cars for domestic and personal use.

Motorcycle Finance

For quick fulfillment of family needs with economical mode of traveling. Easy and quick approach to your destination. Purchase of Motorcycle for domestic and personal use on affordable monthly installments.

Home Appliances Finance

Purchase of modern electronic appliances/ gadgets of your choice and provide comfort to your life.

COMMERCIAL/ SME FINANCE

Running Finance

Purchase of stock and to meet working capital requirement of your business. Financial limits are available for your existing business/ planned expansion.

Auto Finance

For all business persons, Companies, Government Institution, Autonomous Corporations of AJK to fulfill the traveling and cargo need.

Demand Finance

For purchase of Machinery/ Equipment/Assets for your existing business/ planned expansion. Choose BAJK as your business partner and enjoy financial support at easy terms and conditions.

House Finance Commercial

Construction Finance for Commercial Building/Shopping Malls

BAJK offers loan facility for construction/ renovation/purchase of commercial



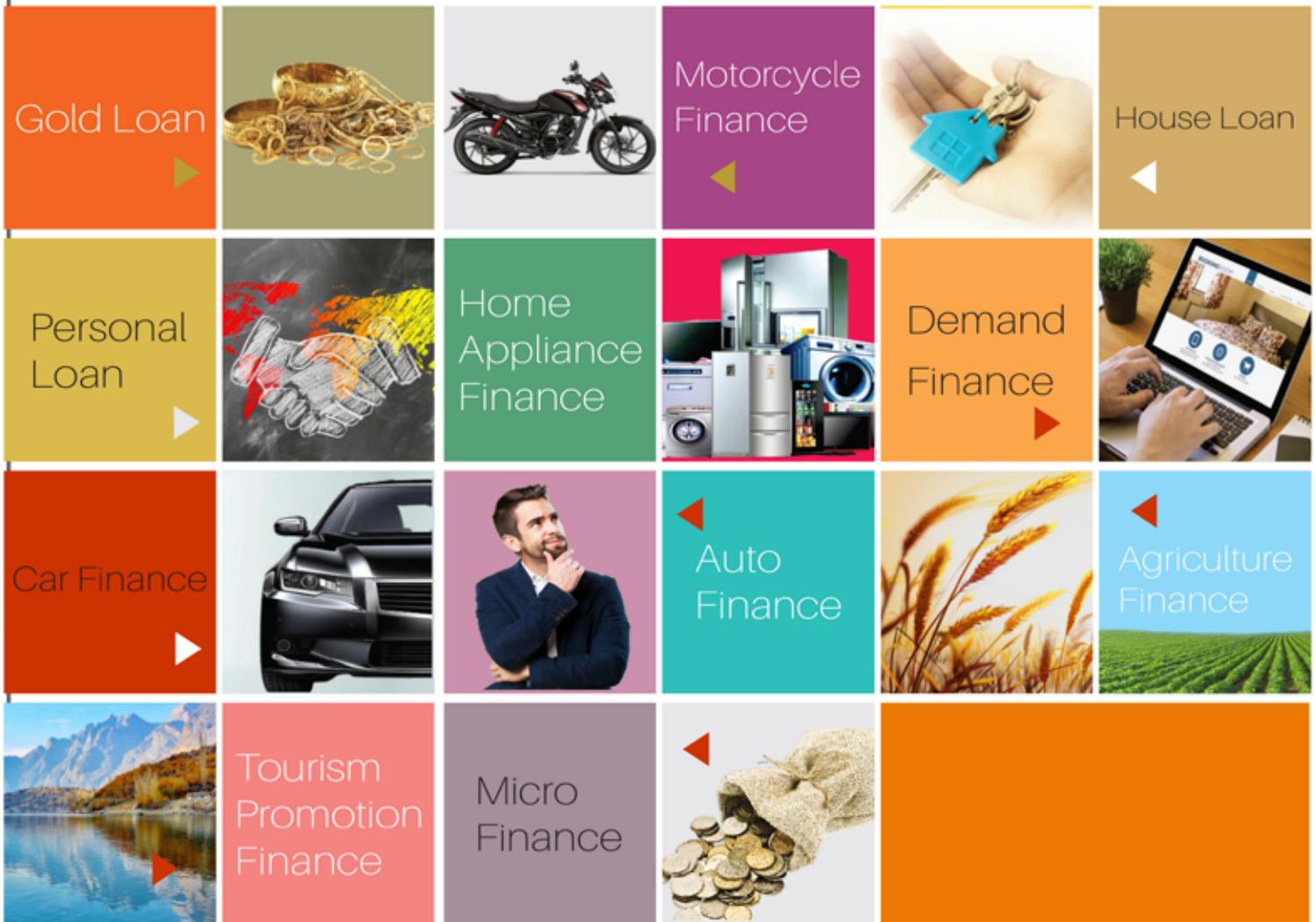
buildings/ plazas/ shops etc. on easy terms.

Health Care Services Finance

BAJK offers financial facility to setup/ expansion/ renovation/modernization of medical/ health facilities in AJK.

Tourism Promotion Finance

To finance the infrastructure facilities to promote/facilitate tourists activities and movements in tourist attractions in AJK. The tourist's infrastructural facilities include establishment of tourist huts, refurbishment/renovation of existing guesthouses, erecting additional accommodation within existing residential houses of the locals in AJK.



Agriculture Production Loan

For provision of Agri inputs and working capital i.e. short term loans for purchase of seeds, pesticides, fertilizers, etc. to boost agriculture growth and employment generation in the State of AJK.

Agriculture Development Loan

For purchase of assets (farm equipment/machinery), Dairy, Poultry, Goat-Sheep and Fish farms as well as for other agricultural development activities.

Advance Salary Scheme

Loan Features	Don't worry about your urgent Domestic/personal/family needs like education of kids, marriage of children and medical requirements. BAJK provides you a hassle free finance against your salary.
Eligibility	Permanent employees of Government/Semi Government Departments / Autonomous bodies, Corporation with at least 01 year service.
Age Limit	18-60 years
Loan Limit	Maximum up to Rs. 2,000,000/- OR 20 Take Home Salaries whichever is lower
Tenure	Maximum 48 months (The loan should be settled six months prior to date of retirement).
Repayment	Equal Monthly Installments
DSR	40% (Maximum)
Primary Security	Hypothecation of House Hold Items up to loan amount.
Secondary Security	01 Personal Guarantee of Government Officer . Guarantor should be in equivalent or above grade of the borrower but not less than Grade 11.
Insurance	Life Insurance of the borrower.



اہم خصوصیات:

انتہائی کم مارک اپ

انتہائی آسان اقساط

تیز ترین پراسسنگ

کوئی پوشیدہ چارجز نہیں

فوری ادائیگی

بغیر جرمانے کے قبل از وقت ادائیگی کی سہولت

آسان شرائط



GOLD LOAN

گولڈ لون

سونار کھوائیں پیسے لے جائیں

سونے کی مالیت کا **65%**
تک قرض کی سہولت حاصل کریں



اہم خصوصیات:

• حد قرضہ 20 لاکھ روپے تک

• انتہائی کم مارک اپ

• انتہائی آسان اقساط

• تیز ترین پراسسنگ

• کوئی پوشیدہ چارجز نہیں

• فوری ادائیگی

• بغیر جرمانے کے قبل از وقت ادائیگی کی سہولت

• آسان شرائط

• بینک کی شرائط و ضوابط لاگو ہوں گی۔

مزید معلومات حاصل کرنے کے لئے
آج ہی BAJK کی متعلقہ برانچ سے رابطہ
کریں۔

تعبیر ہو رہا ہے خوشحالی کا خواب۔



HOUSING FINANCE

Making your Dream Home Ownership Come True

Eligibility:

Age: 18 to 60 Years

Minimum 3 Years in Service/ Business



SALIENT FEATURES

- Tenure upto 20 Years
- Finance Amount up to Rs.10 Million
- Affordable Mark- up Rate
- Applicant must be AJK Resident having Valid CNIC
- Clear ECIB / Data Check Report
- BAJK Account Holder
- The Property having a clear Title and Approved Building Plan
- Debt to Equity Ratio 80/20%
- Life and Property Insurance
- Partial/ Premature Adjustment Allowed

For More Information
Please Visit
BAJK Nearest Branch



Personal Loan

- **Purpose :** To facilitate your urgent domestic and personal needs, BAJK makes it possible by providing financial facility in shape of Personal Loan so that you could easily take care of your needs. Just avail this facility and enjoy tension -free life.
- **Eligibility:** AJK /Pakistani National
- **Loan Limit :** 90% against Government Securities
 - 95% (First party) and 90% (Third party) against bank's own deposits
 - 90% against deposits with others banks
- **Tenure:** upto 36 months
- **Repayment:** Installments /Lump Sum (as per convenience borrower)
- **Security :** Lien on deposits / Pledge of instruments (TDR's, DSC's, NSC's)
- **Secondary Security:** Hypothecation of House Hold Items (in case of 3rd party security)
- **Insurance:** Life insurance of Borrower (Optional)



سرمائے کا 95%
تک قرض کی سہولت حاصل کریں

سرمایہ محفوظ
ذاتی ضرورت کے لیے فوری قرضہ

Car Finance

Loan Features	Enjoy a comfortable traveling with your family. Facilitate pick and drop of your kids. BAJK offers purchase of brand new cars for domestic and personal use.
Eligibility	Must be AJK/Pakistani National. • Permanent Employee of Government/Semi Government Departments and Autonomous Corporations with at least 03 years of service. • Professional/Self Employed/Businessmen having established business for last three years.
Age Limit	18-60 years
Loan Limit	Upto Rs. 3,000,000/-
Tenure	Upto 1000 CC: 60 months above 1000 CC: 36 months
Repayment	Equal Monthly Installments
DSR	40% (including insurance premium)
Down Payment/ Equity	Minimum 15%
Primary Security	Joint Registration of the vehicle in the name of BAJK and borrower under HPA.
Secondary Security	01 Personal Guarantee of Government Officer BPS-17 and above OR Postdated Cheques equivalent to the number of Installments.
Insurance	Comprehensive Insurance of the vehicle.



TARGET CUSTOMERS:

- All Permanent Employees of the Government/
Semi Government Departments/
Autonomous Corporations of the Government of AJK
- Business and Self-Employed Professionals

Motorcycle Finance



MOTORCYCLE LOAN

A Drive that is Worth It!



SALIENT FEATURES

- | | |
|--|--|
| <input checked="" type="checkbox"/> Tenure up to 3 Years | <input checked="" type="checkbox"/> BAJK Account Holder |
| <input checked="" type="checkbox"/> Finance Amount as per actual cost of Motorcycle | <input checked="" type="checkbox"/> Debt Service Ratio 35% |
| <input checked="" type="checkbox"/> Lowest Mark-up Rate | <input checked="" type="checkbox"/> Equally Monthly Installments |
| <input checked="" type="checkbox"/> Applicant must be AJK Resident having Valid CNIC | <input checked="" type="checkbox"/> Fast Track Processing |
| <input checked="" type="checkbox"/> clear eCIB / Data Check Report | <input checked="" type="checkbox"/> No Hidden Charges |

TARGET CUSTOMERS:

- All Permanent Employees of the Government/ Semi Government Departments/Autonomous Corporations of the Government of AJK Having 3 Years of Services
- Business and Self-Employed Professionals

for More Information
Please Visit
BAJK Nearest Branch

HOME APPLIANCE FINANCE

Making Comfortable Living Possible!

SALIENT FEATURES

- Loan Amount up to Rs. 200,000
- Tenure up to 3 Years
- Affordable Installment
- Lowest Mark up Rate
- Applicant must be AJK Resident having Valid CNIC
- Clean eCIB or Data Check Report
- BAJK Account Holder
- Equally Monthly Installments
- Fast Track Processing
- No Hidden Charges



For More Information
Please Visit
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Commercial/ SME Finances

Running Finance

Finance Working Capital of Your Business!

To Meet the working Capital Needs of Businessmen/ Firms Having Existing Business

SALIENT FEATURES

Loan Features	Purchase of stock and fulfilling of operational expenses of your business. Financial limits are available for your existing business/planned expansion.
Eligibility	<ul style="list-style-type: none">• Account holder of the bank.• Reasonable turnover to justify the limit requested.• Existing business/planned expansion.
Loan Limit	As per justified business requirement
Tenure	01 Year (Renewable)
Repayment	Principal lump sum and markup monthly/quarterly basis.
Primary Security	Hypothecation of stock
Secondary Security	Mortgage of property / lien on Deposits / pledge of Gold.
Insurance	Insurance cover of Hypothecated Stock and Mortgaged Property as per Bank's policy



AUTO FINANCE COMMERCIAL

For all business persons, Companies, Government Institution, Autonomous Corporations of AJK to fulfill the traveling and cargo need.

SALIENT FEATURES

- AJK/ Pakistani National Identity Card Holders
- Age: 18 to 60 Years
- Lowest Mark-up Rate
- Tenure: up to 5 Year
- Affordable Mark- up Rate
- Partial and Premature Adjustment Allowed
- Insurance and Tracker Available
- No Hidden Charges
- Fast Processing

For More Information
Please Visit

BAJK Nearest Branch

Branch Contact detail is on the back Page

بینک کی شرائط و ضوابط لاگو ہوں گی۔

تعبیر ہو رہا ہے خوشحالی کا خواب۔

DEMAND FINANCE



DEMAND FINANCE

Shouldering Your Business to Next Level

Procurement of Assets for
Businessmen/ Firms Having
Existing Business

SALIENT FEATURES

- Tenure up to 5 Years
- Applicant must be AJK Resident having Valid CNIC
- Equally Monthly Installments
- Security Hypothecation of Stock and Mortgage of Property.
- Lowest Mark- up Rate
- Clear eCIB or Data Check Report
- BAJK Account Holder
- Comprehensive Insurance of Assets to be Purchased
- Debt / Equity: 80/20
- Fast Track Processing
- No Hidden Charges



تعبیر ہو رہا ہے خوشحالی کا خواب۔

Tourism Promotion Finance

Loan Amount Upto Rs. 5.00 Million

Loan Features	To finance the infrastructure facilities to promote/facilitate tourists activities and movements in tourist attractions in AJK. The tourists infrastructural facilities include establishment of tourist Huts, refurbishment/renovation of existing guest houses, erecting additional accommodation within existing residential houses of the locals in AJK.
Eligibility	<ul style="list-style-type: none"> • House should be suitably located having a motor able approach. • Permission of concerned Government organization for Conversion/ Renovation / Refurbishment of House into Hotel/Guest House. • Hotel/Guest House should be preferably managed by the owner himself.
Age Limit	18-60 years
Loan Limit	Up to Rs. 5.00 Million
Tenure	Up to 05 years
Repayment	Monthly installments with 03 months grace period for construction cases.
Equity Contribution	20% Minimum
Primary Security	Hypothecation of all Moveable Assets/Furniture & Fixture etc.
Secondary Security	Mortgage of property / lien on Deposits / pledge of Gold
Insurance	Insurance cover of hypothecated stock and mortgaged property as per Bank's policy



Healthcare Services Finance

Modern Health Services
for Healthy Nation

Financial facility to
setup/ expansion/ renovation/modernization
of medical/ health facilities in AJK.

SALIENT FEATURES

- Upto Rs. 10.00 Million
- Tenure: Upto 5 years
- Affordable Mark- up Rate
- Partial and Premature Adjustment Allowed
- Insurance Available
- No Hidden Charges
- Fast Processing



**TODAY WE BUILD
A BRIGHTER TOMORROW**

بئنک کی شرائط و ضوابط لاگو ہوں گی۔ مزید معلومات حاصل کرنے
کے لئے آج ہی BAJK کی متعلقہ برانچ سے رابطہ کریں

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[P] +92 5822-9242 44

Micro Enterprise Loan

Loan Features	To encourage small scale enterprises, create self-employment opportunities, generate economic activities and reduce poverty
Eligibility	AJK Nationals, especially low income groups and skilled persons
Age Limit	18 to 60 years
Loan Limit	Up to Rs. 100,000/-
Tenure	up to 36 Months
Repayment	Equal Monthly Installments
Primary Security	Hypothecation of stock
Secondary Security	One P.G of Govt. Employee of BPS-11 or above Or lien on deposits /cash collaterals
Insurance	Insurance coverage for Hypothecated stock as per Bank's policy
Margin	10% to 25% on Stocks



تعبیر ہو رہا ہے خوشحالی کا خواب۔

DIRECTORS' REVIEW REPORT





AUDITORS' REPORT





YOUSUF ADIL

Yousuf Adil
Chartered Accountants

18-B/1, Chohan Mansion
G-8 Markaz, Islamabad
44000, Pakistan

Tel: +92 (51) 8734400-3
Fax: +92 (51) 8350602
www.yousufadil.com

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE BANK OF AZAD JAMMU AND KASHMIR
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the 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, 2022 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's report thereon

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 Syed Asmatullah.

Chartered Accountants

Islamabad

Date: September 7, 2023

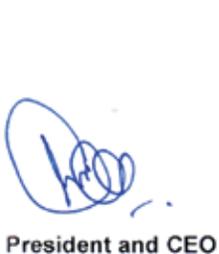
UDIN: AR202210414iYu7a0SOr



THE BANK OF AZAD JAMMU AND KASHMIR STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

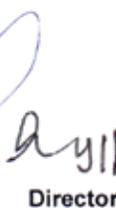
	Note	2022 -----Rupees in '000-----	2021
ASSETS			
Cash and balances with treasury banks	5	6,271,417	4,447,089
Balances with other banks	6	16,088,667	14,774,633
Lendings to financial institutions		-	-
Investments	7	163,197	183,775
Advances	8	3,290,230	2,815,313
Fixed assets	9	365,478	253,886
Intangible assets	10	-	-
Deferred tax assets	11	49,601	30,011
Other assets	12	2,232,866	1,046,611
		28,461,456	23,551,318
LIABILITIES			
Bills payable	13	82,751	158,180
Borrowings		-	-
Deposits and other accounts	14	21,004,229	17,270,623
Lease liabilities against right of use assets	15	161,246	138,519
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	1,344,311	563,110
		22,592,537	18,130,432
NET ASSETS			
		5,868,919	5,420,886
REPRESENTED BY			
Share capital	17	5,142,903	5,142,903
Reserves	18	360,650	269,037
Deficit on revaluation of assets	19	(23,828)	(13,797)
Unappropriated profit		389,194	22,743
		5,868,919	5,420,886
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 41 form an integral part of these financial statements.


President and CEO


Chief Financial Officer


Director


Director


Director

**THE BANK OF AZAD JAMMU AND KASHMIR
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Note	2022 -----Rupees in '000-----	2021
Mark-up / return / interest earned	21	3,222,394	1,672,565
Mark-up / return / interest expensed	22	1,451,441	668,344
Net mark-up / interest income		1,770,953	1,004,221
NON MARK-UP/INTEREST INCOME			
Fee and commission income	23	27,630	23,918
Dividend income		10,575	6,924
Other income	24	13,587	4,799
Total non-markup / interest income		51,792	35,641
Total income		1,822,745	1,039,862
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	25	914,018	600,056
Workers welfare fund		-	-
Other charges		-	-
Total non-markup / interest expenses		914,018	600,056
Profit before provisions		908,727	439,806
Provisions and write offs - net	26	29,085	36,963
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		879,642	402,843
Taxation	27	(421,578)	(165,201)
PROFIT AFTER TAXATION		458,064	237,642
Basic and diluted earnings per share	28	0.89	0.79

The annexed notes 1 to 41 form an integral part of these financial statements.


 President and CEO
 
 Chief Financial Officer
 
 Director
 
 Director
 
 Director

THE BANK OF AZAD JAMMU AND KASHMIR STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	-----Rupees in '000-----	
Profit after taxation for the year	458,064	237,642
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus on revaluation of investments - net	(20,578)	(2,070)
Related deferred tax expense	10,547	724
	(10,031)	(1,346)
Total comprehensive income	448,033	236,296

The annexed notes 1 to 41 form an integral part of these financial statements.


 President and CEO


 Chief Financial Officer


 Director


 Director


 Director

**THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

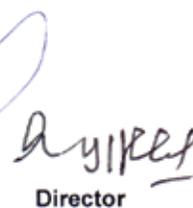
	Share capital	Surplus/ (deficit) on revaluation	Unappropriated Profit	Statutory Reserve	Total
-----Rupees in '000-----					
Balance as at January 01, 2021	2,129,911	(12,451)	267,130	-	2,384,590
Profit after taxation for the year ended December 31, 2021	-	-	237,642	-	237,642
Other comprehensive income					
Surplus on revaluation of available-for-sale securities - net of tax	-	(1,346)	-	-	(1,346)
Transfer to statutory reserve	-	-	(269,037)	269,037	-
Transactions with owners, recorded directly in equity					
Issue of shares against cash - note 17.5	2,800,000	-	-	-	2,800,000
Issue of bonus shares - note 17.5	212,992	-	(212,992)	-	-
Balance as at January 01, 2022	5,142,903	(13,797)	22,743	269,037	5,420,886
Profit after taxation for the year ended December 31, 2022	-	-	458,064	-	458,064
Other comprehensive income					
Surplus on revaluation of available-for-sale securities - net of tax	-	(10,031)	-	-	(10,031)
Transfer to statutory reserve	-	-	(91,613)	91,613	-
Closing balance as at December 31, 2022	5,142,903	(23,828)	389,194	360,650	5,868,919

The annexed notes 1 to 41 form an integral part of these financial statements.


President and CEO


Chief Financial Officer


Director


Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

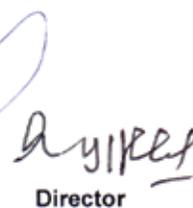
	Note	2022 -----Rupees in '000-----	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		879,642	402,843
Less: Dividend income		(10,575)	(6,924)
		869,067	395,919
Adjustments:			
Depreciation	9.2	66,660	52,957
Provision and write-offs		29,085	36,963
Interest expense on lease liability	22	22,049	13,095
Provision for gratuity		25,160	16,814
Provision for leave encashment		46,457	11,669
Provision for bonus		48,009	23,000
Other provisions	24	15,534	-
Gain on sale of fixed assets		(6)	(175)
		252,948	154,323
		1,122,015	550,242
(Increase)/decrease in operating assets			
Advances		(504,002)	(605,623)
Others assets (excluding advance taxation)		(1,186,255)	(196,484)
		(1,690,257)	(802,107)
Increase/(decrease) in operating liabilities			
Bills payable		(75,429)	90,766
Deposits		3,733,606	3,570,283
Other liabilities (excluding current taxation)		446,356	(2,013)
		4,104,533	3,659,036
		3,536,291	3,407,171
Interest paid on lease liability		(22,049)	(13,095)
Income tax paid		(230,936)	(137,117)
Net cash generated from operating activities		3,283,306	3,256,959
CASH FLOW FROM INVESTING ACTIVITIES			
Net proceeds from placements with banks		(8,403,807)	(5,525,819)
Dividend income received		10,575	6,924
Investments in operating fixed assets		(115,629)	(51,075)
Proceeds from sale of fixed assets		-	175
Net cash used in investing activities		(8,508,861)	(5,569,795)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	2,800,000
Principal paid against lease liability		(39,890)	(20,134)
Net cash generated from financing activities		(39,890)	2,779,866
Increase/(decrease) in cash and cash equivalents		(5,265,445)	467,030
Cash and cash equivalents at beginning of the year		11,200,353	10,733,323
Cash and cash equivalents at end of the year	29	5,934,908	11,200,353

The annexed notes 1 to 41 form an integral part of these financial statements.


President and CEO


Chief Financial Officer


Director


Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

1 STATUS AND NATURE OF BUSINESS

The Bank of Azad Jammu and Kashmir (the Bank) is a public unlisted Bank which was incorporated in 2006 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 and Behbood Fund & Group Insurance - Government autonomous body own 100 percent of ordinary shares of the Bank as on December 31, 2022 in proportion of 100% and 0% (2021: 97.59% and 2.41%) respectively.

The Bank has 82 branches (2021: 77 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.

2.1 Statement of Compliance

Bye-Laws of the Bank require that the statement of financial position and profit and loss account of the Bank shall be drawn up in conformity with the rules and regulations of the State Bank of Pakistan (SBP) and Section 34 of the Banking Companies Ordinance, 1962. Accordingly, these financial statements have been prepared in accordance with the requirements of the Act, its Bye-Laws and approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified by SECP under the Companies Act, 2017; and

- Provisions of and directives issued by the SBP under the Banking Companies Ordinance, 1962.

Whenever the requirements of the directives issued by the SBP differ with the requirements of IFRS, the requirements of the said directives, shall prevail.

State Bank of Pakistan (SBP) via circular no. 3 of 2022 dated 05 July 2022, decided to extend the implementation IFRS 9 from 1 January 2022 to 1 January 2024 for Banks having assets size less than Rs. 500 billion. Nevertheless, early adoption of the Standard is permissible under the instructions issued through the same circular.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of the International Accounting Standard (IAS) 40, Investment Property for banking companies till further instructions. Further, the SECP vide its SRO 633 (I) / 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 40, Investment Property and International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" for banking companies till further instructions. 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 prescribed by SBP through various circulars /regulations."

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective for the year ended December 31, 2022

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations 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**

<p>Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021. The change:</p> <ul style="list-style-type: none">- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);- require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8."	April 01, 2021
<p>Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework</p> <ul style="list-style-type: none">- Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;- Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and- Add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.	January 01, 2022
<p>Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.</p> <ul style="list-style-type: none">- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
<p>Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p>	January 01, 2022
<p>Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41) states as follows:</p>	January 01, 2022

Standard	Subject of amendment
IFRS 9 Financial instruments	Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the 10 per cent' test in paragraph B3 3 6 of IFRS 9 in assessing whether to derecognize a financial liability An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
IFRS 16 Leases	Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
IAS 41 Agriculture	Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique This will ensure consistency with the requirements m IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 published are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

2.3 Standards, interpretations of and amendments to published approved accounting standards 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.

	Effective from accounting period beginning on or after
<p>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:</p> <ul style="list-style-type: none"> - Replacing the requirement for entities to disclose their significant' accounting policies with a requirement to disclose their 'material' accounting policies; and - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. 	January 01, 2023
<p>Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.</p>	January 01, 2023
<p>Classification of liabilities as current or non-current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p>	January 01, 2023
<p>Amendments to IAS 12 'Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction. The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.</p>	January 01, 2023

Amendments to IFRS 16 'Leases' - Lease Liability in a Sale and Leaseback arrangement.

January 01, 2024

The change requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

While the November 2020 exposure draft had proposed that a seller-lessee initially measures the right-of-use asset and lease liability arising from a leaseback using the present value of expected lease payments at the commencement date, the final amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The amendments also include one amended and one new illustrative examples.

Amendments to IFRS 10 & IAS 28, Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

Not yet finalized

2.3.1 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 17 - Insurance Contracts

2.4 Use of critical accounting estimates and judgments

The preparation of financial statements is 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 (mentioned in respective notes) are as follow:

- i) Classification and provisioning against investment (note 4.2)
- ii) Provision against advances (note 4.3)
- iii) Valuation and impairment of available for sale securities (note 4.2.5)
- iv) Useful life/depreciation of property and equipment (note 4.4) and valuation of right of use asset and lease liability (note 4.6)
- v) Current and deferred taxation (note 4.9)

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair values and right of use assets and their lease liabilities which are carried at present values.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash & balances with treasury banks and balances with other banks in current & deposit account.

the amount of non-performing loans and advances 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.

4.4 Fixed assets and depreciation

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

Tangible assets

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

Depreciation

Depreciation is computed on monthly basis over the estimated useful live of the related assets on monthly basis. The cost of assets is depreciated on a straight line basis. Depreciation is charged for the full month of availability for use of an asset while no depreciation 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 fixed assets are taken to the profit and loss account.

In making estimates of the depreciation, 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 is adjusted prospectively.

4.5 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 expensed out.

4.6 Right-of-use assets and their related lease liability

4.6.1 Right of-use assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities and prepayments.

Right-of-use assets are depreciated over the shorter of the lease term or the expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

4.6.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.7 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.

4.8 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.

4.9 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 directly in equity, in which case it is recognized in other comprehensive income or 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 that 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.

4.10 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.

4.11 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 and brokerage income is recognised on an accrual basis.

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

4.12 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.

4.13 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. There have been no foreign currency transactions during the year.

4.14 Provisions

Provisions other than provision on advances 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.

4.15 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.

4.16 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, 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

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.

	Note	2022	2021
-----Rupees in '000-----			
5 CASH AND BALANCES WITH TREASURY BANKS			
In-hand			
Local currency		283,116	199,729
With National Bank of Pakistan in			
Local currency current account		2,111	36,676
Local currency deposit account	5.1	86,190	40,684
Local currency term deposit accounts	5.2	5,900,000	4,170,000
		5,988,301	4,247,360
Prize bonds		-	-
		6,271,417	4,447,089

5.1 This represents deposit accounts carrying rate of return ranging from 8.25% to 14.25% (2021:6.5% to 7.5%) per annum.

5.2 This represents term deposits carrying rates of return ranging from 10.30% to 15.60% (2021: 7.07% to 7.76%) per annum having maturities within three months.

		2022	2021
-----Rupees in '000-----			
6 BALANCES WITH OTHER BANKS			
In Pakistan (Azad Jammu and Kashmir)		494,362	331,776
In current account	6.1 & 6.2	15,594,305	14,442,857
In deposit account		16,088,667	14,774,633

6.1 This includes saving deposit accounts amounting Rs. 1,011,533 thousands (2021: Rs. 1,257,448 thousands) carrying markup rates ranging from 8.25% to 14.5% (2021: 6.5% to 7.5%) per annum.

6.2 This includes term deposits carrying markup at rates ranging between 10.60% to 22.50% (2021: 7.10% to 20%) per annum. Term deposits have maturities ranging from 1 months to 3 years except for two term deposits amounting to Rs. 500,000 thousand and Rs. 1,200,00 thousand placed with a bank maturing in 2029 and 2032 respectively.

7 INVESTMENTS	2022				2021			
	Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value
7.1 Investments by type	-----Rupees in '000-----							
Available-for-sale securities								
Units of open ended mutual funds - note 7.5	205,000	-	(41,803)	163,197	205,000	-	(21,225)	183,775
Held-to-maturity securities								
Term finance certificates-note 7.3	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total Investments	254,940	(49,940)	(41,803)	163,197	254,940	(49,940)	(21,225)	183,775

7.2 Investments by segments	2022				2021			
	Cost/amortised cost	Provision for diminution	Surplus/(deficit)	Carrying value	Cost/amortised cost	Provision for diminution	Surplus/(deficit)	Carrying value
-----Rupees in '000-----								
Units of open ended mutual funds								
Units of open ended mutual funds	205,000	-	(41,803)	163,197	205,000	-	((21,225)	183,775
Non Government debt Securities								
Unlisted								
Term finance certificates	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total investments	254,940	(49,940)	(41,803)	163,197	254,940	(49,940)	(21,225)	183,775

7.3 Particulars of held to maturity investment

No. of certificates		Name of company	"Redeemable value per certificate (Rupees)"	2022	2021	Credit rating
2022	2021			Rupees in '000		
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 amount has been provided.

7.4 Particulars of provision for diminution in value of investments

	2022	2021
7.4.1 Opening balance	49,940	49,940
Charge for the year	-	-
Closing balance	49,940	49,940

7.4.2 Particulars of provision against debt securities

Category of classification	2022		2021	
	Non performing Investments	Provision	Non performing Investments	Provision
-----Rupees in '000-----				
Domestic				
Loss	49,940	49,940	49,940	49,940

7.5 Details regarding Quality of available for sale securities is as follows:

	2022				2021			
	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)
Listed companies sector - wise								
Units of open ended mutual funds								
National Investment Unit Trust Fund	1,313,081	100,000	75,922	57.82	1,313,081	100,000	91,167	69.43
NIT Government Bond Fund	3,184,047	30,000	33,423	10.50	3,184,047	30,000	31,865	10.01
NIT Islamic Equity Fund	4,329,197	50,000	31,170	7.20	4,329,197	50,000	39,179	9.05
MCB Dynamic Cash Fund	207,730	25,000	22,682	114.74	213,822	25,000	21,564	110.53
		205,000	163,197			205,000	183,775	

8 ADVANCES

	Performing		Non performing		Total	
	2022	2021	2022	2021	2022	2021
-----Rupees in '000-----						
Loans, cash credits, running finances, etc.	3,369,395	2,866,660	134,644	136,739	3,504,039	3,003,399
Advances - gross	3,369,395	2,866,660	134,644	136,739	3,504,039	3,003,399
Provision against advances						
- Specific	-	-	(127,687)	(108,487)	(127,687)	(108,487)
- General	(86,122)	(79,599)	-	-	(86,122)	(79,599)
	(86,122)	(79,599)	(127,687)	(108,487)	(213,809)	(188,086)
Advances - net of provision	3,283,273	2,787,061	6,957	28,252	3,290,230	2,815,313

8.1 General provision includes provision amounting to Rs. 86,122 thousand (2021: Rs. 79,599 thousand) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP.

8.2 Particulars of advances (Gross)	2022	2021
	-----Rupees in '000-----	
In local currency	3,504,039	<u>3,003,399</u>

8.3 Advances include Rs. 134,644 thousand (2021: Rs. 136,739 thousand) which have been placed under non-performing status as detailed below:-

Category of classification	2022		2021	
	Non performing loans	Provision	Non performing loans	Provision
-----Rupees in '000-----				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	4,883	854	4,627	742
Doubtful	1,151	437	518	259
Loss	128,610	126,396	131,594	107,486
Total	134,644	127,687	136,739	108,487

8.4 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
Opening balance	108,487	79,599	188,086	147,620	55,719	203,339
Charge for the year	41,697	6,523	48,220	37,669	23,880	61,549
Reversals	(19,135)	-	(19,135)	(24,586)	-	(24,586)
	22,562	6,523	29,085	13,083	23,880	36,963
Amounts charged off- agriculture financing	(3,362)	-	(3,362)	(52,216)	-	(52,216)
Closing balance	127,687	86,122	213,809	108,487	79,599	188,086

8.4.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
In local currency	127,687	86,122	213,809	108,487	79,599	188,086
	127,687	86,122	213,809	108,487	79,599	188,086

- 8.5** These represent non-performing advances for agriculture finance which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.
- 8.6** The FSV benefit availed as at December 31, 2022 is Rs. 3,956 thousand (2021: Rs. 25,790 thousand). Had the FSV benefit not been availed, Bank's profit before and after tax would have been decreased by Rs. 2,719 thousand (2021: Rs. 23,740 thousand) and Rs. 1,417 thousand (2021: Rs. 15,730 thousand) respectively. 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	2022	2021
-----Rupees in '000-----			
Capital work-in-progress	9.1	16,002	10,436
Property and equipment	9.2	349,476	243,450
		<u>365,478</u>	<u>253,886</u>

9.1 Capital work-in-progress

This represents advance to suppliers in respect of purchase of vehicles and furniture.

	2022	2021
-----Rupees in '000-----		
Advances to supplier	16,002	10,436

9.2 Property and Equipment

	2022								
	Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Right of use asset	Total
-----Rupees in '000-----									
At January 1, 2022									
Cost	40,400	14,407	65,060	91,861	34,608	46,463	37,327	207,728	537,854
Accumulated depreciation	-	(12,379)	(46,600)	(59,809)	(26,422)	(34,198)	(27,368)	(87,628)	(294,404)
Net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959	120,100	243,450
Year ended December 2022									
Opening net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959	120,100	243,450
Additions	28,685	-	19,095	22,026	3,698	16,776	19,783	62,617	172,680
Disposals									
Cost	-	-	76	234	-	-	-	17,264	17,574
Accumulated depreciation	-	-	(76)	(228)	-	-	-	(17,264)	(17,568)
Depreciation charge	-	(1,015)	(8,863)	(8,203)	(3,369)	(4,527)	(3,858)	(36,825)	(66,660)
Closing net book value	69,085	1,013	28,692	45,881	8,515	24,514	25,884	145,892	349,476
At December 31, 2022									
Cost	69,085	14,407	84,231	114,121	38,306	63,239	57,110	253,081	693,580
Accumulated depreciation	-	(13,394)	(55,539)	(68,240)	(29,791)	(38,725)	(31,226)	(107,189)	(344,104)
Net book value	69,085	1,013	28,692	45,881	8,515	24,514	25,884	145,892	349,476
Rate of depreciation (percentage)	-	10%	20%	10%-20%	20%	20%	20%	6% - 33%	

2021								
Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Right of use asset	Total

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

At January 1, 2021

Cost	40,400	14,407	55,286	80,656	31,259	37,464	28,605	178,939	467,016
Accumulated depreciation	-	(11,104)	(40,464)	(52,161)	(23,282)	(31,864)	(26,902)	(59,314)	(245,091)
Net book value	40,400	3,303	14,822	28,495	7,977	5,600	1,703	119,625	221,925

Year ended December 2021

Opening net book value	40,400	3,303	14,822	28,495	7,977	5,600	1,703	119,625	221,925
Additions	-	-	9,774	11,205	3,349	8,999	10,471	30,684	74,482
Disposals									
Cost	-	-	-	-	-	-	(1,749)	(1,895)	(3,644)
Accumulated depreciation	-	-	-	-	-	-	1,749	1,895	3,644
Depreciation charge	-	(1,275)	(6,136)	(7,648)	(3,140)	(2,334)	(2,215)	(30,209)	(52,957)
Closing net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959	120,100	243,450

At December 31, 2021

Cost	40,400	14,407	65,060	91,861	34,608	46,463	37,327	207,728	537,854
Accumulated depreciation	-	(12,379)	(46,600)	(59,809)	(26,422)	(34,198)	(27,368)	(87,628)	(294,404)
Net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959	120,100	243,450
Rate of depreciation (percentage)	-	10%	20%	10%-20%	20%	20%	20%	6% - 33%	

9.2.1 Property and equipment includes cost of Rs. 5,485 thousand (2021: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2021: Rs. 5,485 thousand) in respect of assets donated by the Government of Azad Jammu and Kashmir.

9.3 The total cost includes fixed assets of Rs.135,067 thousand (2021: Rs. 112,624 thousand) having zero book value on which no depreciation was charged during the year.

9.4 Detail of disposals of operating fixed assets

	Cost	Accumulated depreciation	Book value	Sale proceeds
-----Rupees in '000-----				
2022				
Furniture and fixture	234	(228)	6	12
Leasehold improvements	76	(76)	-	-
Total	310	(304)	6	12
2021				
Vehicles	1,749	1,749	-	175

9.5 The cost of fully depreciated fixed assets that are still in the Bank's use is as follows:

	2022	2021
-----Rupees in '000-----		
Buildings & Lease hold improvements	-	26,520
Furniture and fixtures	39,266	22,847
Office equipments	18,588	15,025
Computer equipments	29,365	24,593
Vehicles	28,605	23,639
Leasehold improvements	14,988	-
Leasehold land	4,255	-
Total	135,067	112,624

10 INTANGIBLE ASSETS

Kashmir Council of Government of AJK acquired and donated Core Banking Information System (Helios) to the Bank under capacity building program.

11 DEFERRED TAX ASSETS

Deductible temporary differences on

- Deficit on revaluation of investments
- Provision against customer claims
- Provision against receivable from Kashmir Council
- Lease liabilities against right of use assets
- Provision against non-performing advances

Taxable temporary differences on

- Accelerated tax depreciation

2022			
At January 1, 2022	Recognised in P&L A/C	Recognised in OCI	At December 31, 2022
-----Rupees in '000-----			
7,428	-	10,547	17,975
3,101	7,371	-	10,472
1,685	385	-	2,070
48,482	20,854	-	69,336
350	329	-	679
61,046	28,939	10,547	100,532
(31,035)	(19,896)	-	(50,931)
30,011	9,043	10,547	49,601

2021

At January 1 2021	Recognised in P&L A/C	Recognised in OCI	At December 31 2021
-----Rupees in '000-----			
6,704	-	724	7,428
3,101	-	-	3,101
1,685	-	-	1,685
46,519	1,963	-	48,482
-	350	-	350
58,009	2,313	724	61,046
(31,602)	567	-	(31,035)
26,407	2,880	724	30,011

12 OTHER ASSETS

	Note	2022	2021
-----Rupees in '000-----			
Income/mark-up accrued in local currency - net of provision	12.1	2,170,017	1,040,052
Advances, deposits, advance rent and other prepayments		2,111	419
Advance taxation		-	-
Branch adjustment account		-	-
Stationery and stamps in hand		6,371	4,322
Others		59,182	6,633
		2,237,681	1,051,426
Less: Provision held against other assets	12.2	(4,815)	(4,815)
Other assets (net of provision) - total		2,232,866	1,046,611

12.1 This balance has been arrived at after adjusting interest in suspense account of Rs. 139,879 thousand (2021: Rs. 128,011 thousand).

16 OTHER LIABILITIES	Note	2022	2021
		-----Rupees in '000-----	
Mark-up/ return/ interest payable in local currency	16.1	669,649	247,452
Accrued expenses		12,576	4,149
Income tax payable		264,620	64,935
Branch adjustment account		30,085	102,067
Provision for bonus to employees		48,009	24,001
Provision against customer claims		24,354	8,861
Leave encashment		81,121	48,242
Education		46,113	19,186
Others		167,784	44,217
		1,344,311	563,110

16.1 It includes an amount of Rs. 288,873 thousand (2021: Rs. 100, 571 thousand) on account of interest payable to related parties.

17 SHARE CAPITAL

17.1 Authorized capital

2022	2021		2022	2021
Number of shares			-----Rupees in '000-----	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

17.2 Issued, subscribed and paid up share capital

2022	2021		2022	2021
Number of shares		Ordinary shares	-----Rupees in '000-----	
514,290,320	411,794,220	Fully paid in cash	5,142,903	4,117,942
-	97,480,900	Issued as bonus shares	-	974,809
-	5,015,200	Issued for consideration other than cash	-	50,152
514,290,320	514,290,320		5,142,903	5,142,903

17.3 The Government of Azad Jammu and Kashmir and Behbood Fund & Group Insurance - Government autonomous body own 100% percent of ordinary shares of the Bank as on December 31, 2022 in proportion of 100% and 0% (2021: 97.59% and 2.41%) respectively.

17.4 Reconciliation of number of ordinary shares

	Note	2022	2021	2022	2021
		Number of shares		-----Rupees in '000-----	
Shares at the beginning of the year		514,290,320	212,991,200	5,142,903	2,129,911
Bonus shares issued during the year	17.5	-	21,299,120	-	212,992
Shares issued against cash consideration		-	280,000,000	-	2,800,000
Shares at the year end		514,290,320	514,290,320	5,142,903	5,142,903

17.5 During the year the Bank has issued nill (2021: 21,299,120) bonus shares amounting to Rs. nill (2021: Rs. 212,992 thousand) to its shareholders.

18 RESERVES

This represents statutory reserve voluntarily created by the Bank in accordance with Section 21 (i) of Banking Companies Ordinance, 1962. The Bank has transferred 20% of profits after tax of the year in current year and 20% of profits after tax since the incorporation to end of prior year into the reserve account during prior year.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2022 -----Rupees in '000-----	2021
Deficit on revaluation of:			
- Available for sale securities	7.1	(41,803)	((21,225)
Deferred tax on deficit on revaluation of:			
- Available for sale securities		17,975	7,428
		(23,828)	(13,797)

20 CONTINGENCIES AND COMMITMENTS

Guarantees	20.1	35,867	19,586
Commitments	20.2	144,528	52,484
Bills for collection	20.3	10,816	58,235
		191,211	130,305

20.1 Guarantees

Financial guarantees		35,867	19,586
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20.2 Commitments

Loan sanctioned but not disbursed		109,993	23,153
Unavailed running finance		34,535	29,331
		144,528	52,484

20.3 Bills for collection

	20.3.1	10,816	58,235
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20.3.1 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.

21 MARK-UP/RETURN/INTEREST EARNED

	Note	2022 -----Rupees in '000-----	2021
On:			
a) Loans and advances	21.1	468,536	387,750
b) Balances with banks		2,753,858	1,284,815
		3,222,394	1,672,565

21.1 This includes an amount of Rs. 3,010 thousands (2021: Rs.1,351 thousands) on account of interest earned on advances given to related parties.

22 MARK-UP/RETURN/INTEREST EXPENSED

	Note	2022 -----Rupees in '000-----	2021
On:			
Deposits	22.1	1,429,392	655,249
Lease liability		22,049	13,095
		1,451,441	668,344

22.1 This includes an amount of Rs. 247,921 thousand (2021: Rs. 219,803 thousand) on account of interest expense on related party deposits.

23 FEE AND COMMISSION INCOME

	2022	2021
	-----Rupees in '000-----	
Branch banking customer fees	3,078	2,861
Commission on cheque books	5,240	4,754
Credit related fees	7,571	6,055
Commission on guarantees	807	535
Commission on remittances	2,236	1,463
Commission on utility bills	5,934	5,229
Postage	641	587
Others	2,123	2,434
	<u>27,630</u>	<u>23,918</u>

24 OTHER INCOME

	Note	2022	2021
		-----Rupees in '000-----	
Gain on sale of fixed assets		6	175
Site visits and fee collection charges		9,330	4,620
Recovery against advances charged off		4,229	-
Others		22	4
		<u>13,587</u>	<u>4,799</u>

25 OPERATING EXPENSES

		2022	2021
		-----Rupees in '000-----	
Total compensation expense	25.1	557,998	362,681
Property expense			
Rent & taxes		60	16
Insurance		1,998	1,206
Utilities cost		30,550	21,765
Security (including guards)		37,280	31,717
Repair & maintenance (including janitorial charges)		15,783	10,067
Depreciation on right of use asset		36,825	30,209
Depreciation		9,173	7,345
		<u>131,669</u>	<u>102,325</u>
Information technology expenses			
Software maintenance		19,579	17,895
Hardware maintenance		4,022	2,516
Depreciation		7,765	5,396
Network charges		8,626	7,095
		<u>39,992</u>	<u>32,902</u>

Other operating expenses		2022	2021
		-----Rupees in '000-----	
Directors' fees and allowances		3,423	3,568
Legal & professional charges		6,294	6,099
Travelling & conveyance		19,631	11,296
Depreciation		13,099	10,007
Entertainment		19,019	13,832
Training & development		4,008	132
Postage & courier charges		4,185	3,638
Communication		4,632	4,209
Stationery & printing		19,195	13,013
Marketing, advertisement & publicity		5,492	3,406
Auditors remuneration		2,431	2,415
Education cess	25.2	43,070	16,808
Others	25.3	39,880	13,725
		184,359	102,148
		914,018	600,056
25.1 Total compensation expense			
Fees and allowances etc.		251,505	170,492
Managerial remuneration			
i) Fixed		-	-
ii) Variable - cash bonus		57,562	29,920
Contribution to defined contribution plan		9,790	7,296
Contribution to defined gratuity fund		25,160	16,814
Rent & house maintenance		75,946	60,294
Utilities		16,781	13,336
Medical		18,372	14,669
Conveyance		102,882	49,860
		557,998	362,681
25.2 Auditors' remuneration			
Audit fee		2,210	2,205
Out-of-pocket expenses		221	210
		2,431	2,415
25.3	This includes provision amounting to Rs. 15,534 thousands recorded against an instance of fraud at one of the branch of the bank.		
26 PROVISIONS AND WRITE OFFS - NET			
Charge of provisions against loans & advances - net	8.3	29,085	36,963
Insurance claims received		-	-
		29,085	36,963
27 TAXATION			
Current		430,621	168,081
Deferred		(9,043)	(2,880)
		421,578	165,201

27.1 Relationship between tax expense and accounting profit

	%	2022 Rupees in '000	%	2021 Rupees in '000
Profit before taxation		879,642		402,843
Applicable tax rate/expense	39%	343,060	35.00%	140,995
Super tax	10%	87,964	4.00%	16,114
Expense not allowed	-1%	(9,446)	1.51%	8,092
Actual tax rate/expense	48%	421,578	40.51%	165,201
Total tax charge as per financial statements		<u>421,578</u>		<u>165,201</u>

28 BASIC AND DILUTED EARNINGS PER SHARE

	2022 -----Rupees in '000-----	2021
Profit for the year	<u>458,064</u>	<u>237,642</u>
Weighted average number of ordinary shares (Number)	<u>514,290,320</u>	<u>300,262,923</u>
Basic and diluted earnings per share (Rupees)	<u>0.89</u>	<u>0.79</u>

29 CASH AND CASH EQUIVALENTS

	2022 -----Rupees in '000-----	2011
Cash and balance with treasury banks	571,417	2,947,089
Balance with other banks	5,363,491	8,253,264
	29.1 <u>5,934,908</u>	<u>11,200,353</u>

29.1 Cash and cash equivalents include the cash in hand, balances in savings deposits and term deposits with maturity of less than 3 months.

30 STAFF STRENGTH

	2022 -----Number-----	2021
Permanent	427	268
On bank contract	91	161
Bank's own staff strength at the end of the year	518	429
Outsourced Staff (Including guarding and janitorial services)	154	138
Total staff strength at the end of the year	<u>672</u>	<u>567</u>

31 DEFINED CONTRIBUTION PLANS

31.1 General description

General description of the type of defined contribution plans and policy is disclosed in note 4.10 to these financial statements.

31.2 Gratuity

The Bank contributed Rs. 25,160 thousand (2021: Rs. 16,814 thousand) for 427 (2021: 268) of its permanent employees during the year towards employees gratuity fund.

31.3 Provident fund

The Bank contributed Rs. 9.790 thousand (2021: 7,296 thousand) in respect of 427 (2021: 268) of its employees during the year towards employees contributory provident fund. Employee contribution deducted from employees' salary with similar amount is also contributed to the fund along with employer's contribution.

32 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

32.1 Total compensation expense

Item	2022			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	-----Rupees in '000-----			
Fees and Allowances etc.	-	-	7,291	24,673
Managerial Remuneration				
i) Fixed	-	-	-	-
ii) Variable (bonus)	75	2,450	1,066	3186
Contribution to defined contribution provident fund	-	-	-	-
Contribution to defined contribution gratuity fund	-	-	533	1,593
Rent & house maintenance	-	-	1,943	10,393
Utilities	-	-	332	2,310
Medical	-	-	1,437	2,574
Conveyance	-	-	1,034	9,462
Vehicle	-	-	-	3,464
Boarding & loading	-	-	-	4,193
Others (mobile charges, TA & DA)	-	898	408	4,018
Total	75	3,348	14,044	65,866
Number of Persons	1	9	1	13

Item	2021			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	-----Rupees in '000-----			
Fees and Allowances etc.	-	-	5,900	16,611
Managerial Remuneration				
i) Fixed	-	-	-	-
ii) Variable (Bonus)	100	2,725	1,066	1,809
Contribution to defined contribution provident fund	-	-	-	1,798
Contribution to defined contribution gratuity fund	-	-	557	3,431
Rent & house maintenance	-	-	1,499	7,475
Utilities	-	-	268	1,661
Medical	-	-	297	1,661
Conveyance	-	-	-	2,268
Vehicle	-	-	-	-
Boarding & loading	-	-	500	-
Others (mobile charges, TA & DA)	-	743	743	4,455
Total	100	3,468	10,830	41,169
Number of Persons	1	7	1	13

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

		2022					
		Meeting fees and allowances paid					
Name of director	For board meetings	For board committees					Total amount paid
		Board Human resource committee	Board audit committee	Board IT committee	Risk Management committee	Special committee	
----- Rupees in '000' -----							
1	Mr. Abdul Majid Khan	75	-	-	-	-	75
2	Mr. Asmatullah Shah	75	150	175	100	-	500
3	Mr. Syed Zahoor Gillani	50	-	-	50	-	100
4	Mr. Mubashar Nabi	100	150	-	100	125	475
5	Syed Haider Abbas	100	-	175	-	125	450
6	Mr. Zuilfiqar Abbasi	75	-	175	-	100	350
7	Dr. M. Idress Abbasi	50	75	-	-	50	175
8	Mr. Irshad Qureshi	50	50	-	-	50	250
9	Mr. Wajahat Rasheed	50	-	-	50	100	150
Total amount paid		625	425	525	300	350	2,525

		2019					
		Meeting fees and allowances paid					
Name of director	For board meetings	For board committees					Total amount paid
		Board executive committee	Board audit committee	Board IT committee	Special committee		
----- Rupees in '000' -----							
1	Mr. Abdul Majid Khan	50	-	-	-	-	50
2	Mr. Shakeel Qadir	50	-	-	-	-	50
3	Mr. Haque Nawaz	75	-	-	-	-	75
4	Dr. Shahzad Khan Bangash	50	-	-	-	-	50
5	Mr. Asmatullah Shah	150	150	150	75	125	650
6	Mr. Ejaz Hussain Rathore	150	-	150	75	125	500
7	Mr. Naveed Sadiq	75	-	-	-	-	75
8	Mr. Raja Mumtaz Ali	125	150	150	-	-	425
9	Mr. Fayyaz Ali Abbasi	125	-	125	25	-	275
10	Mr. Mohammad Ahsen	75	100	-	50	-	225
11	Mr. Syed Zahoor Gillani	150	50	-	75	-	275
12	Mr. Irshad Ahmed Qureshi	25	-	-	-	-	25
13	Mr. Mubashar Nabi	25	-	-	-	-	25
14	Syed Haider Abbas	25	-	-	-	-	25
15	Mr. Zuilfiqar Abbasi	25	-	-	-	-	25
16	Mr. Ehsan Khalid	50	-	25	-	-	75
Total amount paid		1,225	450	600	300	250	2,825

33 FAIR VALUE MEASUREMENTS

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

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

33.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized. There was no transfer between the fair value levels during the year.

	2022			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000' -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual funds	163,197	-	-	163,197
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	6,271,417
Balances with other banks	-	-	-	16,088,667
Advances	-	-	-	3,290,230
Other assets	-	-	-	2,226,495

	2021			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000' -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual funds	183,775	-	-	183,775
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	4,447,089
Balances with other banks	-	-	-	14,774,633
Advances	-	-	-	2,815,313
Other assets	-	-	-	1,042,289

34 SEGMENT INFORMATION

34.1 Segment details with respect to Business Activities

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

Profit and loss	2022				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	----- Rupees in '000' -----				
Net mark-up/return/profit	416,289	1,354,664	-	-	1,770,953
Non mark-up/return/interest income	4,407	19,703	19,825	7,857	51,792
Total income	420,696	1,374,367	19,825	7,857	1,822,745
Segment direct expenses	(117,441)	(788,849)	(5,534)	(2,193)	(914,018)
Total expenses	(117,441)	(788,849)	(5,534)	(2,193)	(914,018)
Provisions charged/(reversal)	(15,799)	(13,286)	-	-	(29,085)
Profit before tax	287,456	572,232	14,291	5,664	879,642

Statement of financial position	2022				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	----- Rupees in '000' -----				
Cash & bank balances	-	22,360,084	-	-	22,360,084
Investments	-	163,197	-	-	163,197
Advances - performing	2,878,180	491,215	-	-	3,369,395
Advances - non-performing	44,308	90,336	-	-	134,644
Advances - provision	(129,190)	(84,619)	-	-	(213,809)
Operating fixed assets	46,960	315,428	2,213	877	365,478
Deferred tax asset	6,373	42,808	300	120	49,601
Others	1,817,943	414,391	381	151	2,232,866
Total assets	4,664,574	23,792,840	2,894	1,148	28,461,456
Bills payable	-	82,751	-	-	82,751
Deposits and other accounts	-	21,004,229	-	-	21,004,229
Lease liability against right of use asset	20,718	139,164	976	388	161,246
Others	105,640	1,208,494	30,151	26	1,344,311
Total liabilities	126,358	22,434,638	31,127	414	22,592,537
Equity	4,538,216	1,358,202	(28,233)	734	5,868,919
Total equity and liabilities	4,664,574	23,792,840	2,894	1,148	28,461,456

Contingencies and commitments	23,153	29,331	10,816	35,867	99,167
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Profit and loss	2021				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	----- Rupees in '000' -----				
Net mark-up/return/profit	354,296	649,925	-	-	1,004,221
Non mark-up / return / interest income	127	11,335	16,667	7,512	35,641
Total Income	354,423	661,260	16,667	7,512	1,039,862
Segment direct expenses	(124,501)	(467,061)	(5,855)	(2,639)	(600,056)
Total expenses	(124,501)	(467,061)	(5,855)	(2,639)	(600,056)
Provisions charged / (reversal)	(50,663)	87,626	-	-	36,963
Profit before tax	280,585	106,573	10,812	4,873	402,843

	2022			2021		
	Government of Azad Jammu & Kashmir and its related department	Directors	Key management personnel	Government of Azad Jammu & Kashmir and its related department	Directors	Key management personnel
----- Rupees in '000' -----						
Advances						
Opening balance	-	-	61,031	-	-	32,503
Addition during the year	-	-	-	-	-	31,778
Repaid during the year	-	-	44,252	-	-	(3,250)
Closing balance	-	-	105,283	-	-	61,031
Deposits and other accounts						
Opening balance	8,332,479	-	4,384	5,439,545	-	663
Received during the year	10,636,140	-	(1,145)	2,892,934	-	3,721
Withdrawal during the year	(9,390,233)	-	-	-	-	-
Closing balance	14.1 9,578,386	-	3,239	8,332,479	-	4,384
Other Liabilities						
Interest / mark-up payable	16.1 288,873	-	-	100,571	-	-
Transactions during the year						
Income						
Mark-up / return / interest earned	21.1 -	-	3,010	-	-	1,351
Other Income	9.4 -	-	-	-	-	175
			3,010			1,526
Expense						
Mark-up / return / interest paid	22.1 247,904	-	17	219,715	-	88
Operating expenses	32.1 -	3,348	79,910	-	3,568	51,999
		247,904	3,348	79,927	219,715	3,568
						52,087

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2022	2021
-----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	5,824,278	5,165,646
Eligible additional tier 1 (ADT 1) capital	-	-
Total regulatory adjustment applied to CET1	-	-
Total eligible Tier 1 capital	5,824,278	5,165,646
Eligible tier 2 capital	86,122	65,802
Total eligible capital (Tier 1 + Tier 2)	5,910,400	5,231,448
Risk weighted assets (RWAs):		
Credit risk	10,351,574	8,697,335
Market risk	407,993	459,438
Operational risk	2,277,353	1,517,260
Total	13,036,919	10,674,033

	2022	2021
	-----Rupees in '000-----	
Common equity tier 1 capital adequacy ratio	<u>44.68%</u>	<u>48.39%</u>
Tier 1 capital adequacy ratio	<u>44.68%</u>	<u>48.39%</u>
Total capital adequacy ratio	<u>45.34%</u>	<u>49.01%</u>

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the year ended December 31, 2022 stood at Rs.5,445 million (2021: Rs.5,445 million). Banks are also required to maintain a minimum CAR of 10.00% plus capital conservation buffer of 2.50% and High Loss Absorbency Requirement of 1.00% of the risk weighted exposures of the Bank.

Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.00% and 7.50%, respectively, as at December 31, 2022.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardised Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	2022	2021
	-----Rupees in '000-----	
Leverage ratio (LR)	5,824,278	5,165,646
Eligible tier-1 capital	<u>28,652,667</u>	<u>23,681,623</u>
Total exposures	<u>20%</u>	<u>22%</u>
Leverage ratio		
Liquidity coverage ratio (LCR)	22,360,084	19,221,722
Total high quality liquid assets	<u>10,661,825</u>	<u>5,953,917</u>
Total net cash outflow	<u>210%</u>	<u>323%</u>
Liquidity coverage ratio		
Net stable funding ratio (NSFR)		
Total available stable funding	<u>16,107,537</u>	<u>13,209,976</u>
Total required stable funding	<u>13,041,637</u>	<u>10,970,802</u>
Net stable funding ratio	<u>124%</u>	<u>120%</u>

38 RISK MANAGEMENT

The Bank's activities expose 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 industry practices.

38.1 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.

38.1.1 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	-----Rupees in '000'-----					
Government bonds	-	-	-	-	-	-
Construction-TFC	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)
	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)

Credit risk by public/private sector

Public	-	-	-	-	-	-
Private	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)
	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)

38.1.2 Advances

Credit risk by industry sector

	Gross investments		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	-----Rupees in '000'-----					
Agriculture, Forestry, Hunting & Fishing	14,671	6,175	4,221	4,935	3,341	4,936
Wholesale and Retail Trade	449,405	275,944	58,468	59,882	57,076	35,623
Individuals	2,972,396	2,680,006	47,670	41,238	43,068	37,244
Others	67,567	41,214	24,285	30,684	24,202	30,684
	3,504,039	3,003,339	134,644	136,739	127,687	108,487

Credit risk by public/private sector

Public/Government	-	-	-	-	-	-
Private	3,504,039	3,003,399	134,644	136,739	127,687	108,487
	3,504,039	3,003,399	134,644	136,739	127,687	108,487

38.1.3 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	-----Rupees in '000'-----	
Wholesale and Retail Trade	34,535	29,331
Individuals	120,809	81,388
Others	35,867	19,586
	191,211	130,305
Credit risk by public/private sector		
Public/Government	35,867	19,586
Private	155,344	110,719
	191,211	130,305

38.1.4 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 232,683 thousand (2021: Rs. 186,348 thousand) are as following:

	2022	2021
	-----Rupees in '000-----	
Funded	207,142	166,762
Non funded	35,867	19,586
Total exposure	<u>243,009</u>	<u>186,348</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 248,541 thousand (2021: Rs. 184,500 thousand)

Total funded classified therein

	2022		2021	
	Amount	Provision held	Amount	Provision held
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	102,261	102,261	52,448	28,448
Total	<u>102,261</u>	<u>102,261</u>	<u>52,448</u>	<u>28,448</u>

38.1.5 Advances - Province/Region-wise Disbursement & Utilization

Total amount of disbursement and utilization is in Azad Jammu and Kashmir of Rs. 1,610,553 thousands (2021: 1,733,356 thousands)

38.2 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.

38.2.1 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.

38.2.2 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	-----Rupees in '000-----					
Cash and balances with treasury banks	6,271,417	-	6,271,417	4,447,089	-	4,447,089
Balances with other banks	16,088,667	-	16,088,667	14,774,633	-	14,774,633
Investments	-	163,197	163,197	-	183,775	183,775
Advances	3,290,230	-	3,290,230	2,815,313	-	2,815,313
Fixed assets	365,478	-	365,478	253,886	-	253,886
Deferred tax assets	49,601	-	49,601	30,011	-	30,011
Other assets	2,232,866	-	2,232,866	1,046,611	-	1,046,611
	<u>28,298,259</u>	<u>163,197</u>	<u>28,461,456</u>	<u>23,367,543</u>	<u>183,775</u>	<u>23,551,318</u>

38.2.3 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.

Assets and Liabilities Committee (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.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	-----Rupees in '000-----			
Impact of 5% change in equity prices on				
- Other comprehensive income	-	8,160	-	9,189

38.2.4 Yield/Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield curve risk is the risk that a financial instrument will suffer either a decline because future changes in prevailing interest rates impact assets more or less than they impact liabilities. Risk is addressed by ALCO that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities to ensure that the spread of the Bank remains at an acceptable level.

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below:-

- The nature of IRRBB and key assumptions, including assumptions regarding loan repayments and behavior of non-maturity deposits, and frequency of IRRBB measurements.
- The increase (decline) in earnings or economic value (or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and then translated into Rupees)

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	-----Rupees in '000-----			
Impact of 1% change in interest rates on				
- Profit and loss account	(48,797)	-	(34,869)	-

38.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/ Interest rate	Total	2022										Non-Interest bearing financial instruments	
			Exposed to Yield/ Interest risk											
			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 banks	12.76%	6,271,417	86,190	200,000	4,000,000	1,700,000	-	-	-	-	-	-	-	285,227
Balances with other banks	6.89%	16,088,667	2,649,564	1,200,000	999,000	8,745,741	300,000	-	-	-	-	1,700,000	-	494,362
Investments	6.48%	163,197	-	-	-	-	-	-	-	-	-	-	-	163,197
Advances	14.24%	3,290,230	103,617	80,184	178,573	354,379	223,273	528,026	1,563,940	261,510	-	-	-	-
Other assets		2,170,017	-	-	-	-	-	-	-	-	-	-	-	2,170,017
		27,983,528	2,839,371	1,480,184	5,177,573	10,800,120	523,273	528,026	1,563,940	1,961,510	-	-	-	3,112,803
Liabilities														
Bills payable		82,751	-	-	-	-	-	-	-	-	-	-	-	82,751
Deposits and other accounts	6.81%	21,004,229	3,467,684	3,530,034	3,469,284	7,646,224	13,977	21,070	174,660	-	-	-	-	2,681,296
Liability against right of use asset		161,246	2,543	4,736	7,255	13,761	26,490	25,595	43,298	37,568	-	-	-	-
Other liabilities		881,822	-	-	-	-	-	-	-	-	-	-	-	881,822
		22,130,048	3,470,227	3,534,770	3,476,539	7,659,985	40,467	46,665	217,958	37,568	-	-	-	3,645,859
On-balance sheet gap		5,853,480	(630,856)	(2,054,586)	1,701,034	3,140,135	482,806	481,361	1,345,982	1,923,942	-	-	-	(533,066)
Off-balance sheet financial instruments														
Commitments to extend credit		144,528	144,528	-	-	-	-	-	-	-	-	-	-	-
		144,528	144,528	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(775,384)	(2,054,586)	1,701,034	3,140,135	482,806	481,361	1,345,982	1,923,942	1,923,942	-	-	-	(533,066)
Cumulative Yield/Interest Risk Sensitivity Gap		(775,384)	(2,829,970)	(1,128,936)	2,011,199	2,494,005	2,975,366	4,321,348	6,245,290	6,245,290	6,245,290	6,245,290	6,245,290	(533,066)

Effective Yield/ Interest rate	Total	Exposure to Yield/ Interest risk										Non interest bearing financial instruments	
		Up to 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			
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	4,447,089	40,664	2,670,000	1,500,000	-	-	-	-	-	-	-	-	236,405
Balances with other banks	14,774,633	1,257,446	6,664,040	5,721,369	-	-	-	-	-	800,000	-	-	331,776
Investments	183,775	-	-	-	-	-	-	-	-	-	-	-	183,775
Advances	2,815,313	124,613	120,050	228,728	143,174	295,500	1,015,744	187,544	-	-	-	-	-
Other assets	1,040,052	-	-	-	-	-	-	-	-	-	-	-	1,040,052
	23,260,862	1,422,745	9,480,896	7,311,936	228,728	295,500	1,615,744	187,544	-	802,078	-	-	1,792,026
Liabilities													
Bill payable	158,180	-	-	-	-	-	-	-	-	-	-	-	158,180
Deposits and other accounts	17,270,623	2,725,432	2,927,582	3,062,632	5,622,732	23,920	23,143	-	-	-	-	-	2,681,286
Liability against right of use asset	138,519	1,811	3,704	5,502	11,967	23,505	43,597	-	-	27,497	-	-	-
Other liabilities	416,826	-	-	-	-	-	-	-	-	-	-	-	416,826
	17,984,148	2,727,243	2,931,286	3,068,134	5,634,329	23,505	252,740	27,497	-	27,497	-	-	3,256,322
On-balance sheet gap	5,276,714	(1,304,498)	6,529,410	4,243,802	(3,405,601)	1,37,982	1,353,004	187,544	-	775,581	187,544	-	(1,464,294)
Off-balance sheet financial instruments													
Commitments to extend credit	52,484	52,484	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	52,484	52,484	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(1,356,962)	6,529,410	4,243,802	(3,405,601)	1,37,982	244,184	1,353,004	187,544	-	775,581	187,544	-	(1,464,294)
Cumulative Yield/Interest Risk Sensitivity Gap	(1,356,962)	5,172,428	9,416,230	4,010,629	4,116,311	4,362,495	5,725,499	6,688,524	6,688,524	6,688,524	6,688,524	(1,464,294)	(1,464,294)
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													
38.2.6 Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities													
	2022	2021											
	-----Rupees in '000-----												
Reconciliation of total assets	27,983,528	23,250,962											
Total financial assets													
Add: Non financial assets													
Operating fixed assets	365,478	255,856											
Other assets	62,849	6,569											
Deferred tax asset	49,601	30,371											
	477,928	290,456											
Balance as per statement of financial position	28,461,456	23,551,315											
Reconciliation of total liabilities													
Total financial liabilities													
Add: Non financial liabilities													
Other Liabilities	462,489	140,284											
Deferreds: govt. grant	462,489	140,284											
Balance as per statement of financial position	22,592,537	18,130,432											

38.3 Operational Risk

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.

38.3.1 Operational Risk-Disclosures Basel II Specific

The banks / DFIs are required to make disclosure of reasons for using the approaches to assess the capital charge for operational risk. The details of losses arising from the perspective of operational risk definition should also be indicated along with the measures taken to improve the processes.

38.4 Liquidity Risk

Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. To mitigate this risk, the Board of Directors have put in place an assets and liabilities committee (ALCO), which manages specific assets with liquidity in mind and monitors the liquidity position regularly. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Bank's reputation.

38.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

		2022										
		Rupees in '000										
Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets												
Cash and balances with treasury banks	11,981	83,867	191,702	100,000	100,000	4,000,000	850,000	850,000	-	-	-	-
Balances with other banks	101,417	709,921	1,622,675	600,000	600,000	999,000	4,372,866	4,372,866	300,000	-	-	1,700,000
Investments	-	-	-	-	-	-	81,599	81,598	-	-	-	-
Advances	3,343	23,401	53,473	40,092	40,092	178,573	177,190	177,190	223,273	526,026	1,563,943	258,233
Fixed assets	365,478	4,879	11,158	5,585	5,585	16,402	15,515	15,516	54,673	46,162	92,941	91,485
Derivated tax assets	49,601	562	1,514	758	758	2,226	2,106	2,106	7,420	6,265	12,614	12,415
Other assets	2,232,866	8,714	139,414	25,742	25,742	409,664	235,417	235,417	531,603	-	-	499,157
	28,481,456	126,247	883,728	2,019,936	772,177	5,605,865	5,734,694	5,734,693	1,118,969	580,453	1,669,498	2,561,290
Liabilities												
Bills payable	82,751	-	-	41,376	41,375	-	-	-	-	-	-	-
Deposits and other accounts	21,004,229	133,484	2,135,744	2,100,180	2,100,180	4,139,608	4,158,276	4,158,277	13,977	21,070	174,657	-
Liability against right of use asset	161,246	82	1,312	2,368	2,368	7,255	6,881	6,881	26,490	25,585	43,298	37,568
Other liabilities	1,344,311	9,956	159,302	295,946	295,942	150,503	100,211	100,205	349	638	10,754	81,121
	22,592,537	143,522	1,004,654	2,439,670	2,439,665	4,297,368	4,265,368	4,265,363	40,816	47,303	228,709	118,689
Net assets	5,888,919	(17,275)	(120,926)	(1,667,693)	(1,667,688)	1,308,499	1,469,326	1,469,330	1,078,153	533,150	1,440,789	2,442,601
Share capital	5,142,903											
Reserves	360,650											
Unappropriated profit	389,194											
Deficit on revaluation of assets	(23,828)											
	<u>5,888,919</u>											

2021

Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 months in 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years	Rupees in '000													
													Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 months in 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years			
4,447,089	8,938	62,566	62,566	143,019	1,335,000	1,335,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14,774,633	51,285	358,857	358,857	820,245	3,332,020	3,332,020	5,721,369	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800,000
183,775	-	-	-	-	-	-	-	91,887	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,875,313	4,021	28,147	28,147	64,321	56,328	63,328	90,566	114,364	143,174	285,309	1,615,747	190,497	-	-	-	-	-	-	-	-	-	-	-	-	-	-
253,886	450	3,150	3,150	7,189	3,490	3,490	9,572	10,290	38,252	34,600	85,772	54,191	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30,011	53	372	372	850	413	413	1,131	1,216	4,622	4,000	7,775	7,598	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,046,011	1,932	2,824	12,824	29,341	50,941	50,941	192,002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23,551,318	66,559	465,916	465,916	1,064,965	4,795,192	4,795,192	7,514,640	217,757	185,968	333,999	1,688,294	1,758,182	-	-	-	-	-	-	-	-	-	-	-	-	-	-
158,180	-	-	-	-	79,090	79,090	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17,270,623	109,542	766,794	756,794	1,752,063	1,796,954	1,796,954	3,732,050	3,146,488	11,886	29,920	208,143	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
138,519	58	406	406	928	1,852	1,852	5,502	5,799	23,606	21,205	43,597	27,509	-	-	-	-	-	-	-	-	-	-	-	-	-	-
583,110	8,019	42,133	42,133	98,311	34,584	34,584	81,003	63,190	349	638	10,754	46,242	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10,130,432	115,619	309,333	309,333	1,049,902	1,944,400	1,944,400	3,789,401	3,215,634	35,041	51,763	263,494	75,751	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,420,886	(49,060)	(343,417)	(345,417)	(784,937)	2,840,732	2,840,732	3,715,179	(2,907,776)	150,107	282,236	1,425,800	1,682,431	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Assets

Cash and balances with treasury banks

Balances with other banks

Investments

Advances

Fixed assets

Deferred tax assets

Other assets

Liabilities

Bills payable

Deposits and other accounts

Liability against right of use asset

Other liabilities

Net assets

Share capital

Reserves

Unappropriated profit

Deficit on revaluation of assets

5,420,886

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

	2022																	
	2022		Over 1 to 3		Over 3 to 6		Over 6 to 12		Over 1 to 2		Over 2 to 3		Over 3 to 5		Over 5 to 10		Above 10	
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets	Rupees in '000																	
Cash and balances with treasury banks	6,271,417	371,417	200,000	4,000,000	1,700,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	16,088,667	3,143,926	1,200,000	999,000	8,745,741	300,000	-	-	-	-	-	-	-	-	-	1,700,000	-	-
Investments	163,197	-	-	-	163,197	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances	3,290,230	103,617	80,184	178,573	354,379	223,273	528,026	1,563,940	261,510	-	-	-	-	-	-	-	-	-
Fixed assets	365,478	21,597	11,169	16,402	31,032	54,673	46,162	92,960	22,396	-	-	-	-	-	-	-	-	-
Deferred tax assets	49,601	2,931	1,516	2,228	4,212	7,420	6,265	12,616	3,040	-	-	-	-	-	-	-	-	-
Other assets	2,232,966	270,110	51,484	409,664	470,833	531,603	-	499,172	-	-	-	-	-	-	-	-	-	-
28,461,456	3,913,598	1,544,353	5,605,865	11,469,394	1,116,969	1,669,516	2,486,120	78,460										
Liabilities																		
Bills payable	82,751	-	82,751	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	21,004,229	4,138,008	4,200,358	4,139,608	8,316,548	13,977	21,070	174,660	-	-	-	-	-	-	-	-	-	-
Lease liability against right of use asset	161,246	2,543	4,736	7,255	13,761	26,490	25,595	43,298	37,568	-	-	-	-	-	-	-	-	-
Other liabilities	1,344,311	308,637	591,887	150,503	200,422	349	838	10,754	-	-	-	-	-	-	-	-	-	-
22,592,537	4,449,188	4,879,732	4,297,366	8,530,731	40,816	47,303	228,712	37,568	81,121									
Net assets	5,868,919	(535,590)	(3,335,379)	1,308,499	2,938,663	1,076,153	533,150	1,440,804	2,448,552									
Share capital	5,142,903																	
Reserves	360,650																	
Unappropriated profit	389,194																	
Deficit on revaluation of assets	(23,828)																	
5,868,919																		
Assets	Rupees in '000																	
Cash and balances with treasury banks	4,447,089	277,089	2,670,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	14,774,633	1,589,274	6,664,040	5,721,369	183,775	-	-	-	-	-	-	-	-	-	-	800,000	-	-
Investments	183,775	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances	2,815,313	124,613	126,656	90,507	228,728	143,174	295,309	1,615,744	2,978	-	-	-	-	-	-	-	-	-
Fixed assets	253,886	13,926	6,980	9,572	20,560	38,252	34,600	65,785	23,791	-	-	-	-	-	-	-	-	-
Deferred tax assets	30,011	1,846	825	1,131	2,433	4,522	4,080	7,776	2,812	-	-	-	-	-	-	-	-	-
Other assets	1,046,611	56,809	101,882	192,002	-	-	-	695,918	-	-	-	-	-	-	-	-	-	-
23,551,318	2,063,307	9,570,383	7,514,641	435,516	185,948	333,999	1,689,305	1,525,499	232,720									
Liabilities																		
Bills payable	158,180	-	158,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	17,270,823	3,395,756	3,597,906	3,732,956	6,293,056	11,886	29,920	209,143	-	-	-	-	-	-	-	-	-	-
Lease liability against right of use asset	138,519	1,811	3,704	5,502	11,597	23,606	21,205	43,597	27,497	-	-	-	-	-	-	-	-	-
Other liabilities	563,110	186,588	129,124	61,003	126,412	349	638	10,754	-	-	-	-	-	-	-	-	-	-
18,130,432	3,584,155	3,888,914	3,799,481	6,431,065	35,841	51,763	263,494	27,497	48,242									
Net assets	5,420,886	(1,520,848)	(5,681,469)	(5,995,839)	150,107	282,236	1,425,811	1,498,002	184,478									
Share capital	5,142,903																	
Reserves	269,637																	
Unappropriated profit	22,743																	
Deficit on revaluation of assets	(13,787)																	
5,420,886																		

39 CORRESPONDING FIGURES

Changes have been made in corresponding figures under cash flow from operating activities in the cash flow statement to conform to current year's presentation.

40 GENERAL

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

41 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Bank on 14 July, 2023.



President and CEO Chief Financial Officer Director Director Director

BAJK

Bank of Azad Jammu & Kashmir

آپکی پہچان

بینک آف آزاد جموں و کشمیر

BRANCH NETWORK

MUZAFFARABAD REGION

RAJA GHULAM MUSTAFA

Regional Head,
Regional Office Muzaffarabad
DAM Plaza 3rd Floor, Bank Road,
Muzaffarabad, Azad Kashmir,
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CELL: 0346-9374926
E-mail: rc.mzd@bankajk.com

Main Branch Muzaffarabad (0001)

Bank Square, Chatter, Muzaffarabad
TEL: 05822-921254,
05822-921365,
05822-921181,
CELL: 0344-0537021
E-mail: manager0001@bankajk.com

Athmuqam Branch (0008)

Main Bazar Athmuqam,
District Neelum, AJK
TEL: 05821-920033
05821-920063
CELL: 0355-7133644
E-mail: manager0008@bankajk.com

Gari-Dupata Branch (0017)

Main Bazar Gari-Dupata,
Muzaffarabad, AJK
TEL: 05822-922503
05822-922502
CELL: 0346-5845552
E-mail: manager0017@bankajk.com

Lower Plate Branch (0018)

Near City Hospital Lower Plate,
Muzaffarabad, AJK
TEL: 05822-920466
05822-442664
CELL: 0312-9024194
E-mail: manager0018@bankajk.com

Chatter Klass Branch (0019)

Main Bazar Chatter Klass,
Muzaffarabad, AJK
TEL: 05822-922303
CELL: 0344-5953431
E-mail: manager0019@bankajk.com

Chakar Branch (0022)

Main Bazar Chakar, District Hattian, AJK
TEL: 05822-922002
05822-922003
CELL: 0346-9670193
E-mail: manager0022@bankajk.com

Pathika Branch (0024)

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

Madina Market Branch (0028)

Madina Market, Muzaffarabad, AJK
TEL: 05822-923126
05822-923127
CELL: 0345-5991149
E-mail: manager0028@bankajk.com

Hattian Branch (0034)

Main Bazar Hattian, District Hattian, AJK
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05822-922632
CELL: 0346-9655467
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Chakothei Branch (0037)

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

District Complex Muzaffarabad Branch (0040)

Old Secretariat, District Complex,
Muzaffarabad
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05822-920187
CELL: 0300-5629358
E-mail: manager0040@bankajk.com

Sharda Branch (0043)

Main Bazar Sharda, District Neelum, AJK
TEL: 05821-920802
CELL: 0355-8206611
E-mail: manager0043@bankajk.com

Joora Branch (0052)

Joora, District Neelum, AJK
TEL: 05821-920502
CELL: 0355-6002594
E-mail: manager0052@bankajk.com

Ladies Branch, Muzaffarabad (0053)

Hashim Plaza, Poultry Farm Road,
Muzaffarabad, AJK
TEL: 05822-923007
05822-923008
CELL: 0345-5185900
E-mail: manager0053@bankajk.com

Upper Adda Branch (0061)

Near Shah Anayat Darbar, Upper Adda
Muzaffarabad
TEL: 05822-920746
05822-920747
CELL: 0345-7350067
E-mail: manager0061@bankajk.com

Chathian Branch (0062)

Srinagar Road, Chathian Bazar
TEL: 05822-922514
CELL: 0344-9543300
E-mail: manager0062@bankajk.com

Kutton Branch (0063)

Kutton, Tehsil Athmuqam, District Neelum
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E-mail: manager0063@bankajk.com

Gojra Bypass Branch (0067)

Gojra Bypass Road, Muzaffarabad
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05822-923020
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Kundal Shahi Branch (0069)

Main Bazar, Kundal Shahi, Tehsil Athmuqam,
District Neelum
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05821-920343
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Brarkot Branch (0070)

Abbotabad Road Brarkot,
Tehsil & District Muzaffarabad AJK
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Chinari Branch (0076)

Main Bazar Chinari,
Jhelum Valley, AJK
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Prime Minister House Road Branch (0077)

Jalalabad, Muzaffarabad
TEL: 05822-920862
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Leepa Branch (0084)

Main Bazar Leepa, Jhelum Valley
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RAWALAKOT REGION

MUHAMMAD IMTIAZ SHAHEEN

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Regional Office Rawalakot
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Main Branch Rawalakot (0006)

Gulf Shopping Complex,
Katchary Road, Rawalakot
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05824-920069
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BOARD OF DIRECTORS' MEETINGS

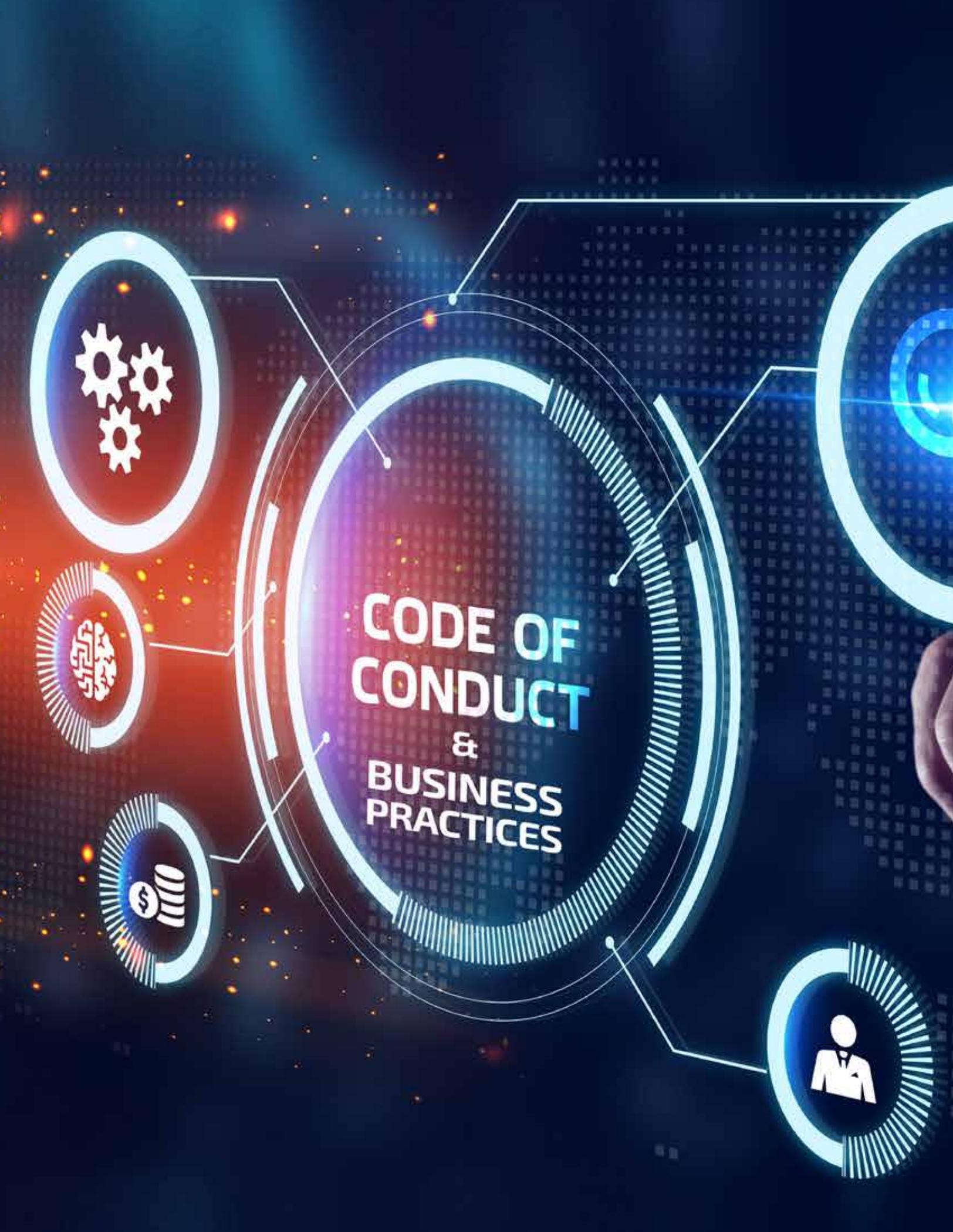


WOMEN DAY CELEBRATIONS



CORPORATE SOCIAL RESPONSIBILITY





**CODE OF
CONDUCT
&
BUSINESS
PRACTICES**

1. CODE OF CONDUCT, DISCIPLINE & BUSINESS PRACTICES

1.1 Introduction

The employees entering into the service of 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:

- a. Is mandatory for compliance by all employees, whether full or part time, employed, directly or indirectly through a service contract and wherever located.
- b. Also applies as a general guideline to the Directors, mutatis mutandis.
- c. 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.
- d. 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.
- e. May be amended or varied generally or specifically with the approval of the Board of Directors for changes due to regulations, laws and practice.
- f. 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 Guideline

Every employee shall:-

- Conform to and abide by the Bank 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 news papers, anonymously or in his name with an intent to induce the authority/superior officers to act in a manner inconsistent with the rule, in respect of any matters relating to appointment, promotion, transfer, retirement, or for any other conditions of service employment.

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:

- a. Activities not consistent with customer's business;
- b. Unusual characteristics or activities;
- c. Attempts to avoid reporting or record keeping requirement;
- d. And 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 BOAJK 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:

- a. 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.
- b. 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 BOAJK 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

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:-

- a. 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; and
- b. BOAJK's proprietary information that includes any analysis or plans created or obtained by any BOAJK 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; and
- 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





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