

ANNUAL REPORT 2024

TOGETHER WE GROW



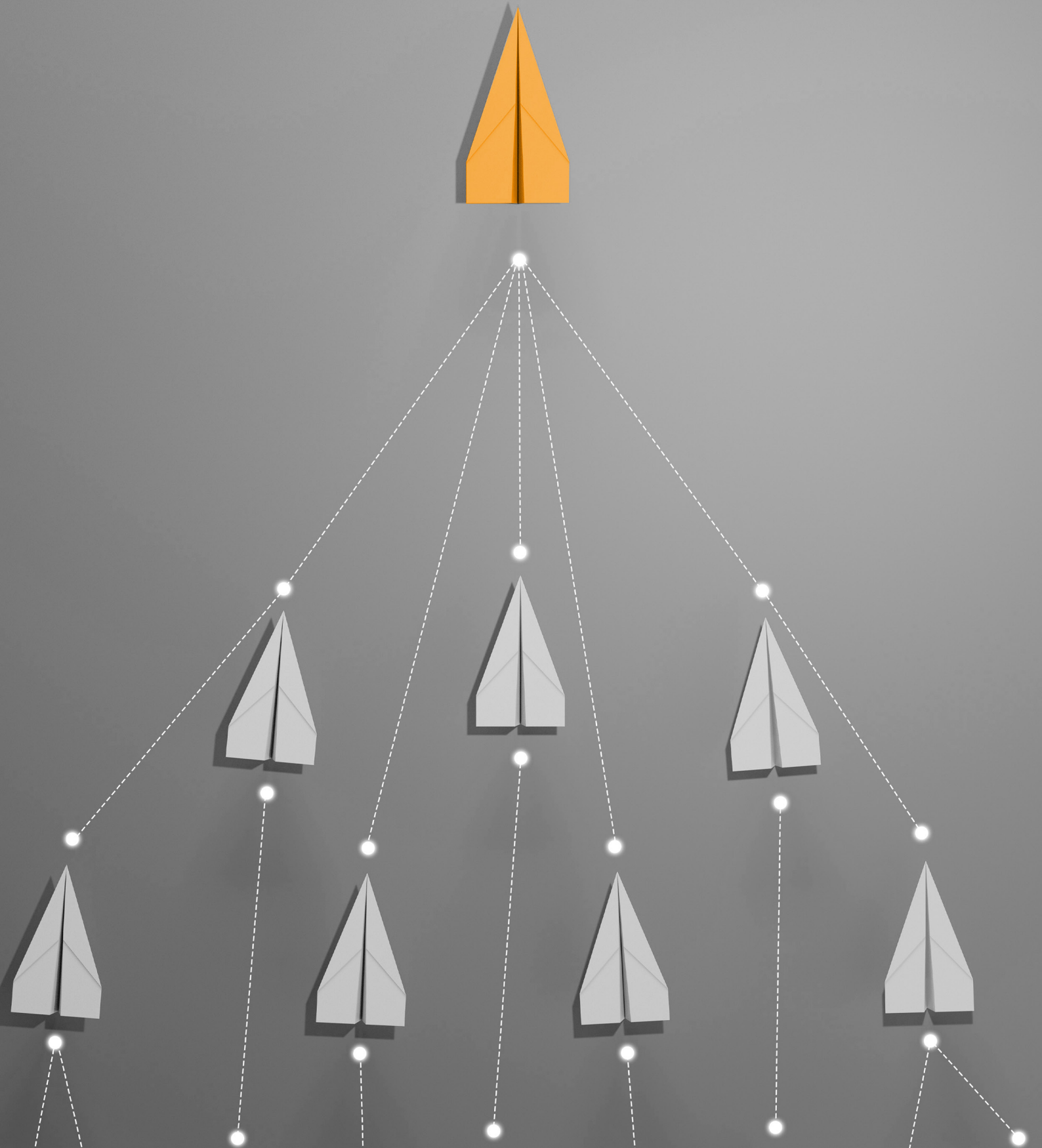


Bank of Azad Jammu & Kashmir
Head Office: Bank Square, Chatter Domel,
Muzaffarabad, Azad Jammu & Kashmir
+ 92-5822-923270-71
www.bankajk.com



ONE BANK ONE TEAM

Bank of Azad Jammu & Kashmir



LIFE IS ABOUT GROWTH!



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VISION

**TO ACT AS A PREMIER FINANCIAL INSTITUTION, FOSTERING
SOCIO-ECONOMIC DEVELOPMENT OF THE PEOPLE OF AJK**



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 AND THE WELL-BEING OF ITS PEOPLE





CORPORATE INFORMATION

Together We Stand

BOARD OF DIRECTORS

• Khan Abdul Majid Khan, Minister Finance & Cooperatives, GoAJ&K	Chairman
• Lt.(R) Islam Zaib, Secretary Finance, GoAJ&K	Member
• Shahid Shahzad Mir, President/CEO, BAJK	Member
• Muhammad Sajjad, Secretary Law, Justice & Parliamentary Affairs, GoAJ&K	Member
• Khalid Mehmood Mirza, Secretary Industries & Commerce, GoAJ&K	Member
• Mubashar Nabi, Social Worker	Member
• Bushra Naz Malik, Chartered Accountant	Member

HUMAN RESOURCE COMMITTEE

Lt.(R) Islam Zaib	Chairman
Mubashar Nabi	Member
Bushra Naz Malik	Member
Shahid Shahzad Mir	Member
Divisional Head Human Resource Management Division	Secretary

AUDIT COMMITTEE

Bushra Naz Malik	Chairperson
Lt.(R) Islam Zaib	Member
Khalid Mehmood Mirza,	Member
Mubashar Nabi	Member
Divisional Head, Audit & Inspection Division	Secretary

RISK MANAGEMENT COMMITTEE

Mubashar Nabi	Chairman
Lt.(R) Islam Zaib	Member
Muhammad Sajjad	Member
Bushra Naz Malik	Member
Shahid Shahzad Mir	Member
Divisional Head, Risk Management Division	Secretary

I.T COMMITTEE

Lt.(R) Islam Zaib	Chairman
Muhammad Sajjad	Member
Mubashar Nabi	Member
Shahid Shahzad Mir	Member
Divisional Head, I.T Division	Secretary

Company Secretary

Dr. Adnan Ullah Khan

Auditors

Yousuf Adil
Chartered Accountants

Head Office: Bank Square, Chattar Domel, Muzaffarabad AJK

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Together We Lead



**BARRISTER
SULTAN MEHMOOD CHAUDHRY**

MESSAGE FROM THE PRESIDENT OF THE STATE OF AJ&K

It is with profound satisfaction that I commend the Bank of Azad Jammu and Kashmir for its exemplary performance during 2024. In a year marked by both challenges and opportunities, the Bank has demonstrated remarkable resilience and visionary leadership, cementing its position as the cornerstone of our region's financial ecosystem.

The Bank's achievements during the year are particularly noteworthy. We have witnessed:

- Unprecedented growth in profitability and asset base
- Strategic expansion of branch networks into underserved regions
- Pioneering digital transformation initiatives
- Strengthened support for agriculture and SME sectors

What truly distinguishes the Bank of AJK is its dual commitment to financial excellence and social responsibility. The introduction of innovative financial products tailored for rural communities and the youth entrepreneurship programs have created tangible impacts across our society.



I am especially gratified by the Bank's focus on financial inclusion. Through simplified account opening procedures, thousands of our citizens have gained access to formal banking services for the first time. This democratization of finance is crucial for our collective prosperity.

The Bank's prudent risk management during economic fluctuations has protected depositors' interests while maintaining growth momentum. This balanced approach exemplifies the stability that institutions like ours must provide in uncertain times.

As we look to the future, I am confident that the Bank will continue to:

- Drive economic development through strategic lending
- Expand digital banking infrastructure
- Foster financial literacy programs
- Support government development initiatives

To the Board of Directors, management, and staff, your dedication is transforming lives and communities. To our valued customers, your trust inspires us to strive for even greater heights. Together, we are building a financially inclusive and economically vibrant Azad Jammu and Kashmir.

The Bank's journey mirrors our region's aspirations - upward, onward, and unwavering. May this momentum continue to accelerate in the years ahead.



**CHAUDHRY
ANWAR UL HAQ**

MESSAGE FROM THE PRIME MINISTER GOAJ&K

The year 2024 stands as a milestone in the illustrious journey of the Bank of Azad Jammu and Kashmir. As the Prime Minister, I take immense pride in the Bank's accomplishments, which reflect both financial acumen and a deep commitment to public welfare.

This year's performance highlights include:

- Crossing significant profitability benchmarks
- Growth in deposit base
- Launch of specialized credit schemes
- Onboarding of new customers

The Bank has become instrumental in implementing our government's economic agenda. Its collaboration on infrastructure financing and support for small businesses has created thousands of jobs while stimulating local economies.

Three strategic priorities deserve special mention:

1) Financial Inclusion: Through innovative products like micro-saving accounts and small business loans, the Bank is bringing marginalized communities into the financial mainstream.



2) Innovation: The new payment solutions have set industry standards while improving service delivery.

3) Sustainable Banking: Environmentally conscious lending practices and green financing options demonstrate forward-thinking leadership.

I applaud the Bank's corporate governance standards, which have earned it recognition as one of our region's most trusted institutions. The transparent operations and strong compliance culture set an example for other organizations.

The government remains committed to supporting the Bank's growth trajectory. We are working closely with management on:

- Policy frameworks to facilitate expansion
- Regulatory enhancements for scheduled bank status
- Strategic partnerships for development projects

To the entire Bank of AJK team - your professionalism and dedication are building a legacy that will benefit generations to come. The people of Azad Jammu and Kashmir are fortunate to have such a reliable financial partner.

As we chart our course for 2025, I am confident that the Bank will continue to be at the forefront of our economic transformation, combining financial strength with social purpose.



**KHAN
ABDUL MAJID KHAN**

MESSAGE FROM THE CHAIRMAN

Minister Finance & Cooperatives, GOAJ&K



The 2024 annual results present compelling evidence of the Bank of Azad Jammu and Kashmir's robust health and bright future. As the Chairman, I am pleased to report another year of exceptional performance across all key indicators.

Financial Highlights:

- Profit before tax: PKR 1.94 billion (74% growth YoY)
 - Total assets: PKR 50.82 billion (56% increase)
 - Deposit growth: 66% across all segments
 - Non-performing loans maintained below 5%
- Operational Milestones:

Launched new branches in rural areas
Introduced new customer products
Our strategic focus areas for the year yielded excellent results:

1. Technology Transformation

The IT infrastructure investment can modernize our operations, enabling:

- Real-time transaction processing
- Enhanced cybersecurity measures
- Data analytics capabilities



2. Human Capital Development

Our "Excel 2024" training program upskilled employees in:

- Digital banking operations
- Customer relationship management
- Risk assessment techniques

3. Governance Enhancement

Implemented world-class practices, including:

- Strengthened audit functions
- Improved board oversight mechanisms
- Enhanced compliance protocols

Looking ahead, our roadmap focuses on:

- **Achieving scheduled bank status**
- **Expanding to 100+ branches by 2026**
- **Doubling our loan portfolio**
- **Implementing AI-driven services**

I extend deep gratitude to:

- Our shareholders for their continued trust
- Government partners for supportive policies
- Dedicated employees for their commitment
- Valued customers for their loyalty

The Bank stands poised for even greater accomplishments. With solid fundamentals, clear strategy, and unwavering commitment to excellence, we are confidently building an institution that will serve Azad Jammu and Kashmir for decades to come.



SHAHID SHAHZAD MIR

MESSAGE FROM THE PRESIDENT/CEO

The year 2024 represents both a culmination of our past efforts and a foundation for future growth. As we reflect on our achievements and prepare for new challenges, I am filled with gratitude for everyone who has contributed to our success story.

Year in Review:

Our performance metrics tell a powerful story:

- * **64% increase in net profits**
- * **35% growth in transactions**
- * **92% customer satisfaction scores**
- * **New branches across AJK**

Key Initiatives Delivered:

- Customer Experience Transformation
 - Reduced account opening time to 15 minutes
 - Streamlined loan approval processes
- Financial Inclusion Drive
 - New women account holders
 - School banking program in institutions
 - Special products for customers

Our 2025 Strategic Priorities:



1. Complete transition to scheduled bank status
 2. Implement an end-to-end digital lending platform
 3. Expand Islamic banking window services
 4. Launch financial literacy programs statewide
- Acknowledgments:

To Our Team: Your innovation and dedication make our vision a reality every day.

To Our Customers: Your feedback shapes our improvements, and your trust motivates our progress.

To Our Regulators & Partners: Your guidance ensures we grow responsibly and sustainably. The road ahead is exciting. With our strong capital base, technological capabilities, and most importantly, our people's expertise, we are uniquely positioned to:

- Lead AJK's banking sector transformation

- Drive meaningful financial inclusion

- Deliver superior shareholder returns

- Contribute to regional economic development

Together, we're not just building a bank - we're building the financial future of Azad Jammu and Kashmir.

DIRECTORS' PROFILE



Khan Abdul Majid Khan

Minister Finance & Cooperatives, GOAJ&K
Chairman, Bank of Azad Jammu & Kashmir

Khan Abdul Majid Khan is currently Minister for Finance & Cooperatives of the State of AJ&K and is also Chairman Board of Directors of Bank of Azad Jammu and Kashmir. Mr. Khan belongs to a respectable and reputable family having deep political links to Pakistan/Kashmir politics since time tracing back to independence days. Having diverse political career and experience with more than 16 years of struggle in the political arena of Azad Jammu & Kashmir, he successfully elected for four successive times by winning four consecutive AJK General Elections since 2006. Khan Abdul Majid Khan holds a Bachelors degree of Political Science, History and also LLB from University of Punjab. Previously, the Honorable Minister also successfully handled the portfolio of Rehabilitation, AKMIDC, Population Welfare, Information (Media), Agriculture, Livestock & Minerals in Govt. of AJK. He also remained Advisor to Prime Minister AJK on TEVTA and Information Technology. Mr. Khan has represented Kashmir issue at various international forums such as European Parliament, House of Lords, UK and Human Rights Commission. He also was part of dialogue on Kashmir issue in USA, Turkey and France. Mr. Khan being a young and energetic political figure also remained member of major Standing Committees of AJ&K Assembly pertaining to Finance, Planning & Development, LG&RD, S&GAD, C&W, Law, Food Department and also Public Accounts Committee (PAC), GoAJ&K. He also chaired Higher Education Commission, GoAJ&K.



Shahid Shahzad Mir

President/CEO

Shahid Shahzad Mir is a prominent banker. At the time of his appointment as President/CEO (A), Bank of Azad Jammu Kashmir (BAJK), Mr. Mir was serving as Executive Vice President and Chief Financial Officer (CFO) of BAJK and was responsible for Financial Management, Strategic Leadership and Executive Decision-making.

Shahid Shahzad Mir started his journey with Bank of Azad Jammu and Kashmir in 2006. Initially joined the bank as OG-II. Through his unwavering commitment, hard work and intelligence, he achieved promotions gradually. In 2014, in recognition of his hard work and dedication, he was promoted to Divisional Head of Financial Control Division and Treasury. Prior to joining Bank of AJK, Shahid Mir was associated with Sehgal Group of Industries, one of the most prominent business groups in Pakistan. In addition to his core responsibilities, he has also held key leadership roles within the Bank. Mr. Mir's academic journey reflects a commitment to continuous learning and professional development. Along with a Master's Degree in Economics and an MBA in Finance, he also holds a Diploma and Certification in Islamic Banking and Finance and is a certified Islamic Fund Manager, further developing his expertise in this specialized domain.

DIRECTORS' PROFILE



Lt. (Retd.) Islam Zaib

Secretary Finance, GOAJK / Director BAJK

Mr. Islam Zaib, currently posted as Secretary of Finance Government of AJK, is a Federal Civil Servant from the Pakistan Administrative Service (PAS). He has over twenty-two years of work experience at different key positions in the Federal Government, the Provincial Government of Khyber Pakhtunkhwa (KP), and erstwhile FATA (Federally Administered Tribal Areas). His professional career includes both field and secretariat level positions in different public sector organizations. He has worked in areas of Immigration & Passport, Economic Affairs, Planning & Development, Public Financial Management (PFM), Law Enforcement, Governance including Local Governance, Public Policy, and Service Delivery at the National, Provincial, and District levels. Having experience of working with different tiers of the Government, Mr. Zaib is well versed in the procedures at all levels of the Government and the Parliamentary Affairs.

Mr. Islam Zaib is a fellow of Hubert H. Humphrey in Public Policy Analysis and Public Administration from the University of Syracuse, New York State. He also holds a certificate of Advanced Studies in Public Administration from Maxwell School of Citizenship, University of Syracuse, New York State and MBA (Public Service) – International Department for Development (IDD) from University of Birmingham, United Kingdom.



Mubashar Nabi

Founder President ACT International, Life time member of HRDN, Member Board of Director's PRIZE/Director BAJK

Mubashar Nabi is Founder President and Ex-CEO of ACT. With a vast and diversified background of above 30 years of experience he contributed to policy work and designed & piloted number of national programs & development initiatives across Pakistan & AJ&K. He has vast experience on his credit with exclusive thirteen years practical understanding of working with international and national organizations aiming at poverty alleviation through community mobilization.

He specializes in the field of community mobilization with special perspective of forming institutions, linking them up with donor organizations and facilitating the BODs of these institutions to envision from the perspective of institutional development in their local perspective.

Being an associate of MDF Holland, Mr. Nabi had contributed widely to strengthening national & regional level institutions through capacity building initiatives linked with microfinance and infrastructure development including TRDP, MRDP, SAFCOW, JWS, IRC, BRSP, KWO, WWOP, HRDN, etc. He had initiated, implemented and managed large projects funded by UNDP, WB, WFP, UNICEF, DIFD, USAID and Save the Children (US & UK). He was also part of the formation of Human Resource Development Network which sets a milestone in the history of capacity building endeavors in the country. His special interest revolves around Institutional Development & Organizational Strengthening, Leadership Management, Capacity Building, Program Management and Innovate divergent programs in the field of poverty alleviation, microfinance, disaster preparedness, livelihood, social sector, reconstruction and social mobilization.

DIRECTORS' PROFILE



Ch. Muhammad Sajjad

Secretary Law, Justice & Parliamentary Affairs
& Human Rights, GOAJK/Director BAJK

Mr. Muhammad Sajjad started his career as a Civil Judge in 2006 with a passion for fair and efficient dispute resolution and proficiency in applying the law to uphold justice. In 2021, promoted to the position of District & Sessions Judge, unveiling his experience and expertise in the Legal Domain. Mr. Muhammad Sajjad served in three Divisions of Azad Kashmir, District Haveli, Kotli, and Muzaffarabad. Due to his diverse legal capabilities, he had the honor to serve as Judge Ehtesab Court Mirpur in 2023, having powers of the Banking Court. From March 2024 his services have been hired by the Government of AJ&K as Secretary of Law, Justice, Parliamentary Affairs, and Human Rights.



Khalid Mehmood Mirza

Secretary Industries, Commerce, Labour Welfare,
Weights & Measures, Mineral Resources,
Sericulture & Printing Press Department,
GOAJK/Director BAJK

Mr. Khalid Mehmood Mirza, currently posted as Secretary Industries Government of AJK, is an officer from Secretariat Service Group AJK. Mr. Mirza started his career as a Section Officer in 1999. He has a vast working experience and has worked in various departments such as Service & General Administration, Works and Communication, Energy & Water Resources, and the Mangla Dam Raising Project. In 2016, he was promoted to BPS-20. Thereafter, has served as Special Secretary S&GAD,



shra Naz Malik

Chartered Accountant/Director BAJK

Bushra Naz Malik is a fellow member of the Institute and Chartered Accountants of Pakistan and CA/CPA from Chartered Professional Accountants, Ontario, Canada. Ms. Malik is an MBA graduate of Kellogg Business School in the United States and the Schulich Business School, Canada. She also has an LLB degree from the Punjab College and Advanced Management Program certification from the Harvard Business School, Boston, USA. Currently, she is Chairperson of the Independent Audit Oversight Committee UNHCR, Geneva, Switzerland. She is also a Director of MHM Consulting, a management service provider firm. She is also a Member of Competition Commission of Pakistan which is a quasi-judicial institution for promoting competitiveness and fair trade in Pakistan. Between 2010 and 2013, she was a Director and Chairperson of the Audit Committee at the Lahore Stock Exchange Ltd in Pakistan. She has also served as Group Finance Director and member of the Board of Directors of Kohinoor Maple Leaf Group, Lahore, a consortium of publicly listed firms headquartered in Pakistan, from 2007 to 2010. Ms. Malik was a member of the CGIAR System Management Board (SMB) in 2017-2018, chairing its Audit and Risk Committee, and a member of the Board of Directors of the Pakistan Industrial Development Corporation, also chairing its Audit Committee. She is committed to the cause of women and provides consultancy services to a local NGO dubbed 'All Mothers Educated Now' based in Pakistan. In 2012 she served as a member of the Commonwealth Business Women, Pakistan Steering Group.

Health Department, Elementary and Secondary Education Department, and Finance Department GoAJK. Besides, he has also served as Director General of Civil Defense. In 2022. He was elevated as Secretary to Government and has served in the Higher Education Department, Planning and Development Department, and Information Technology Department.



MANAGEMENT TEAM *Together We Synergize*



SHAHID SHAHZAD MIR
PRESIDENT / CEO



RAHILA JAVED
Divisional Head HRMD



RAJA GHULAM MUSTAFA
Divisional Head CRBD



AHTASHAM MALIK
Divisional Head Operations



MUHAMMAD IMTIAZ SHAHEEN
Divisional Head CMD



AMJAD MEHMOOD GILANI
Divisional Head RMD



SYED TASHFEEN GILANI
Divisional Head TMD



MUHAMMAD JAVED IQBAL
CCO



AKHTAR HUSSAIN
Divisional Head CAD



GULZAR A RAO
Divisional Head ITD (A)



MUHAMMAD ASLAM AWAN
Divisional Head IBD (A)



MASOOD ILYAS KHAN
Divisional Head SAMD (A)



2015-2024

10 YEARS AT A GLANCE

Rupees in Million

BALANCE SHEET	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Assets	50,819	32,560	28,461	23,551	16,819	13,566	12,411	10,840	8,936	8,455
Advances (net)	4,420	3,874	3,290	2,815	2,247	2,037	2,029	2,407	2,609	2,834
Investments/Placements	44,978	24,806	22,240	19,206	13,206	10,372	9,464	7,745	5,677	5,094
Equity	7,170	6,431	5,869	5,421	2,385	1,227	1,153	1,063	949	880
Deposits	40,129	24,145	21,004	17,271	13,700	11,873	11,063	9,547	7,845	7,440

OPERATING RESULTS

Markup Interest Earned	7,490	4,809	3,222	1,673	1,511	1,279	936	843	808	794
Markup Interest Expense	4,211	2,585	1,451	668	737	703	385	327	333	376
Net Markup Based Income	3,278	2,224	1,771	1,004	774	577	551	516	475	418
Non Markup Based Income	149	56	52	36	34	27	22	52	51	39
Non Markup Based Expenses	1,527	1,169	914	600	519	470	422	363	325	285
Operating Profit	1,901	1,112	909	440	289	134	151	204	201	172
Provision	(34)	1	29	37	31	8	(22)	(63)	112	47
Net Profit Before Tax	1,935	1,111	880	403	258	125	173	267	90	125
Net Profit After Tax	883	537	458	238	153	72	100	157	51	70

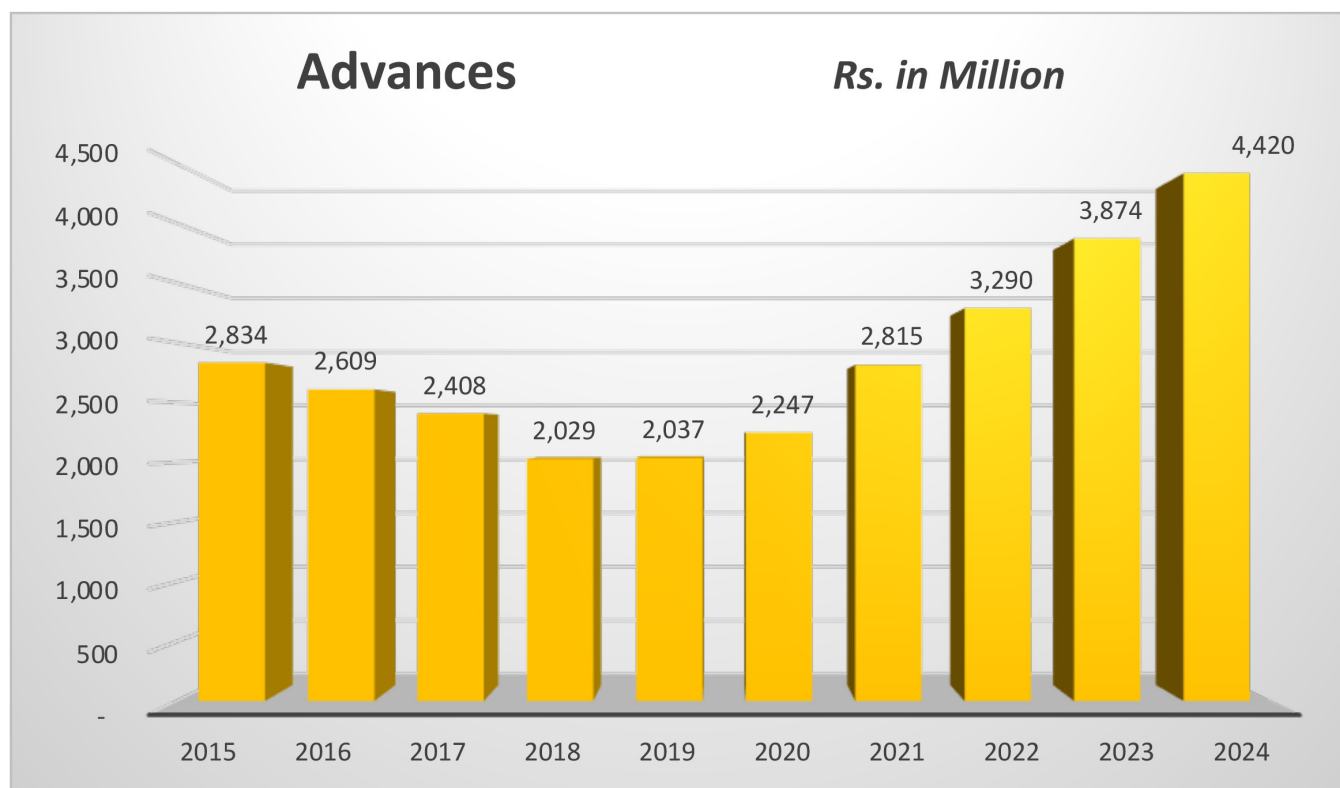
OTHER INFORMATION

Earning per share (Rupees)	1.48	0.97	0.89	0.79	1.27	0.64	1.07	1.68	0.65	0.89
Number of Branches	87	85	82	77	70	70	70	68	65	64

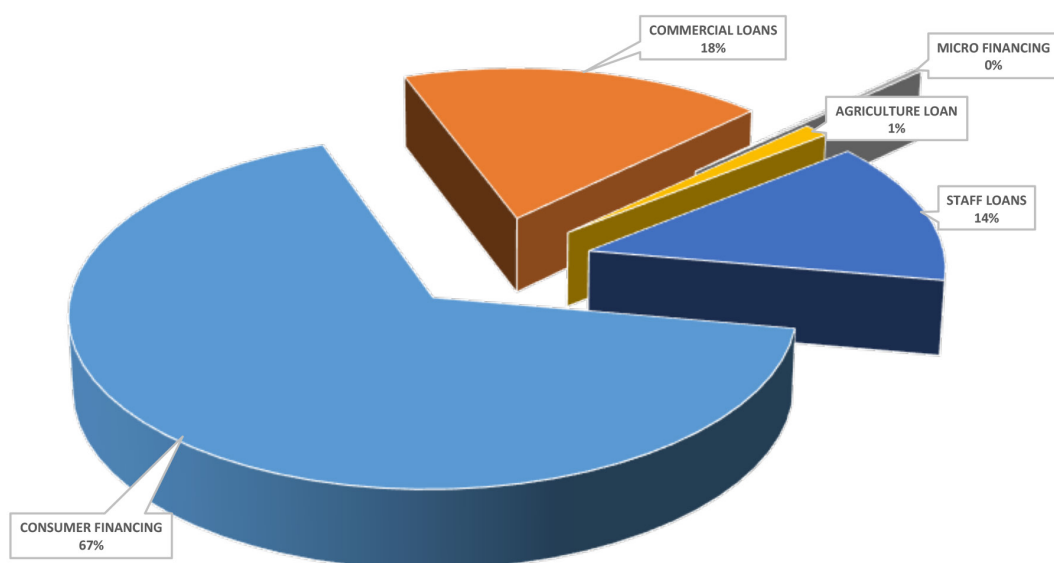
FINANCIAL **HIGHLIGHTS**



FINANCIAL HIGHLIGHTS



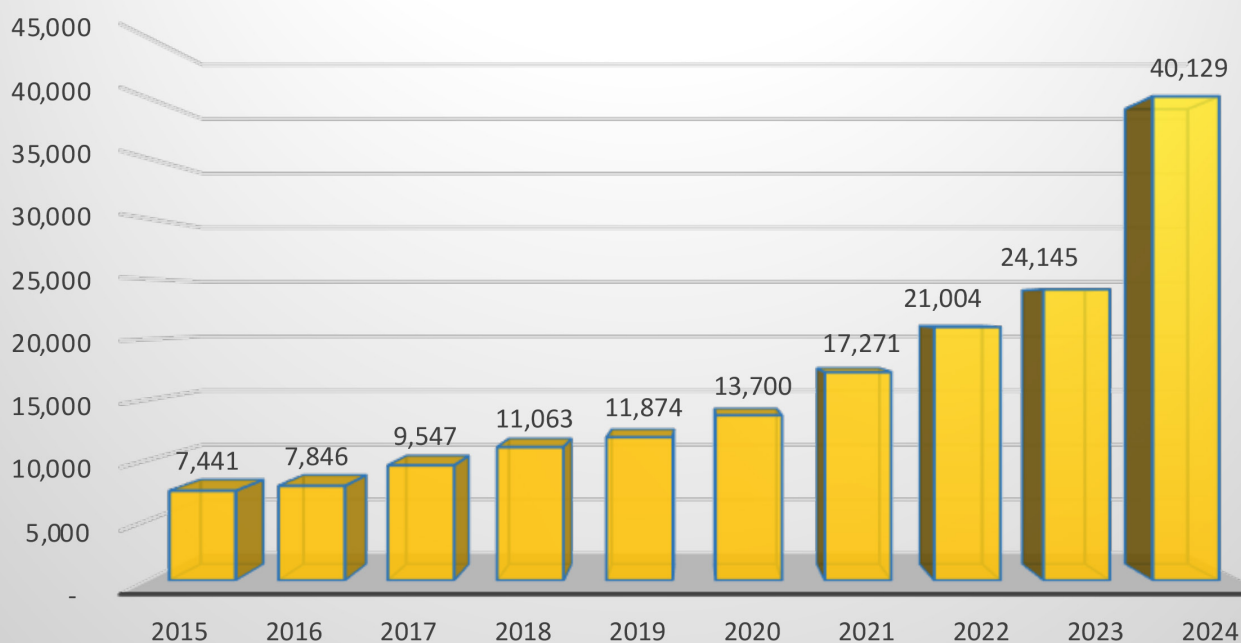
ADVANCES Mix (%)



FINANCIAL HIGHLIGHTS

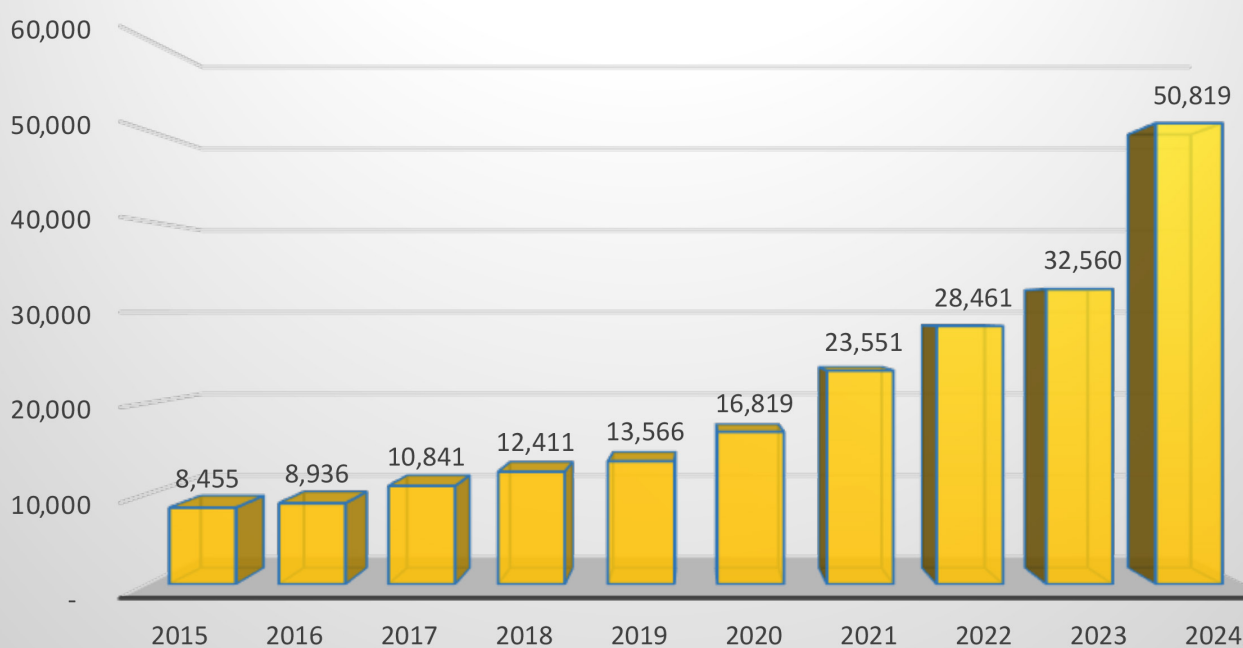
DEPOSITS

Rs. in Million

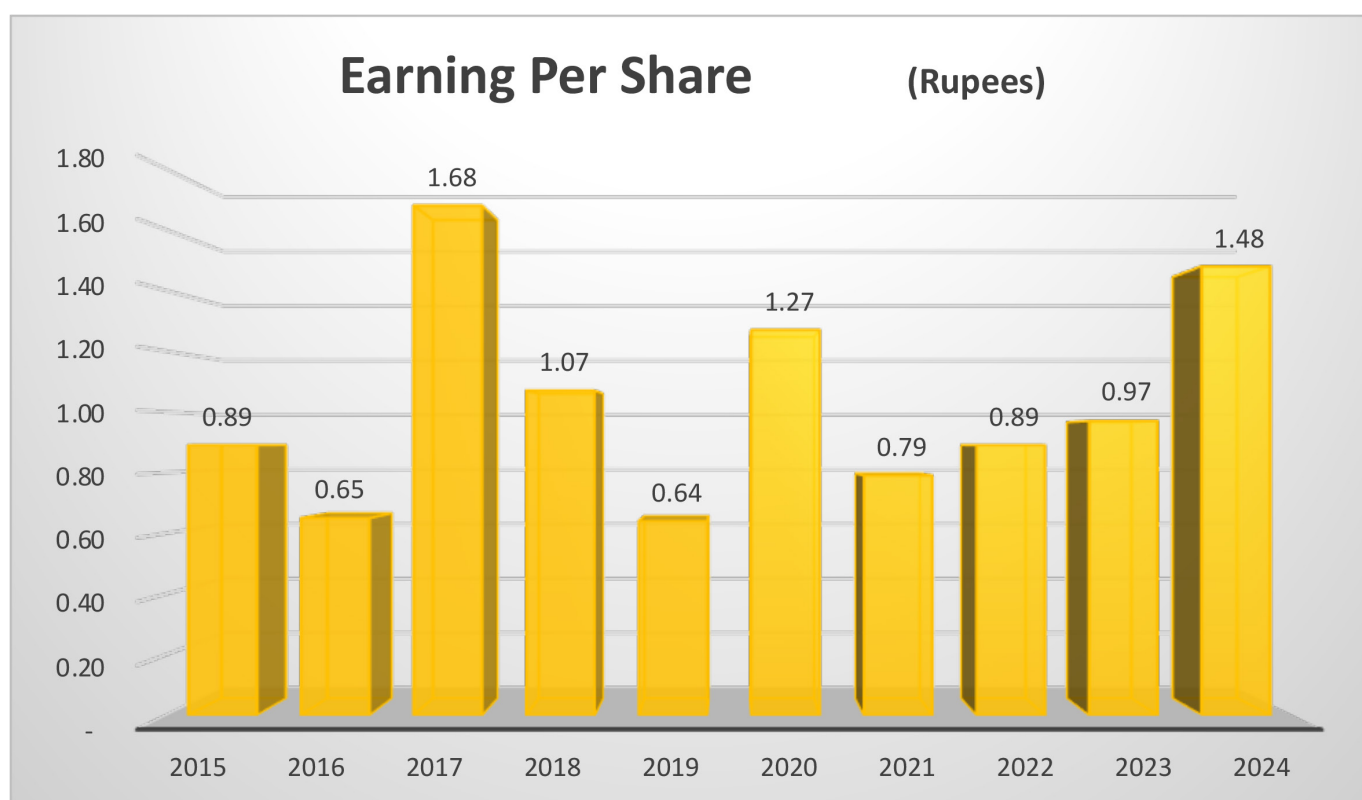
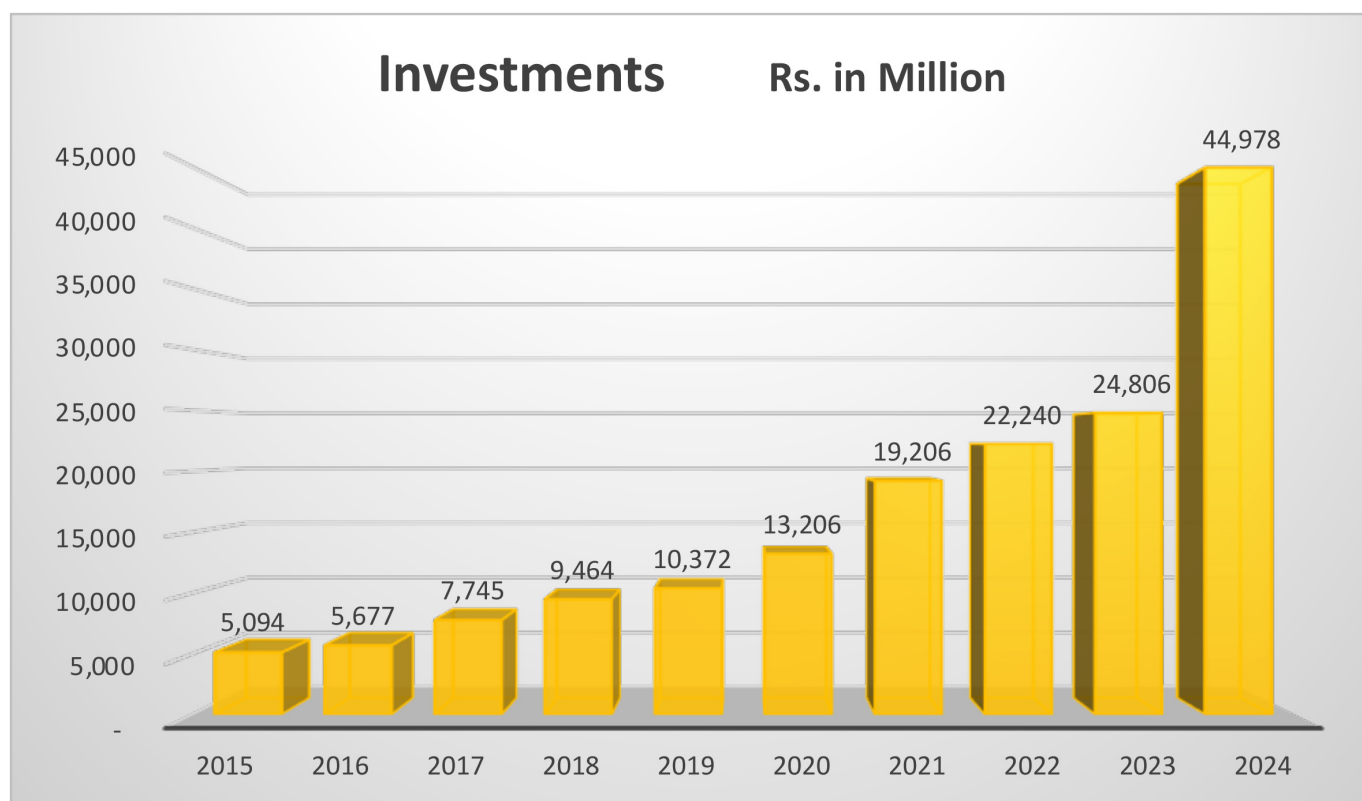


Assets

Rs. in Million

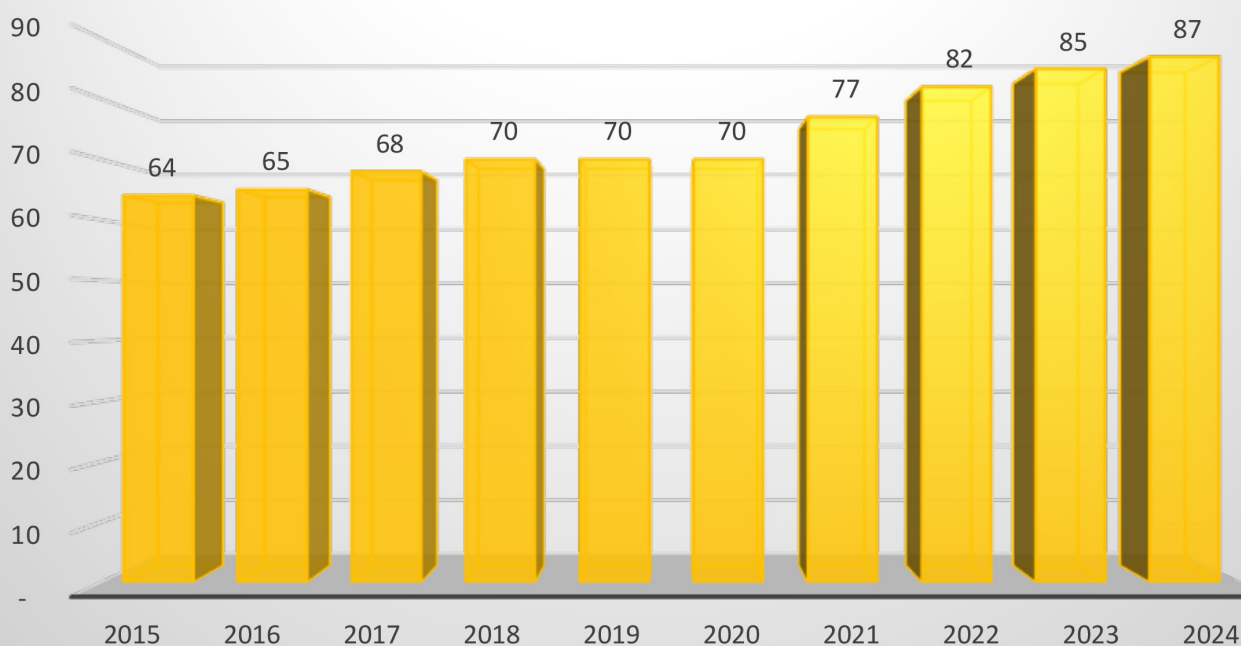


FINANCIAL HIGHLIGHTS



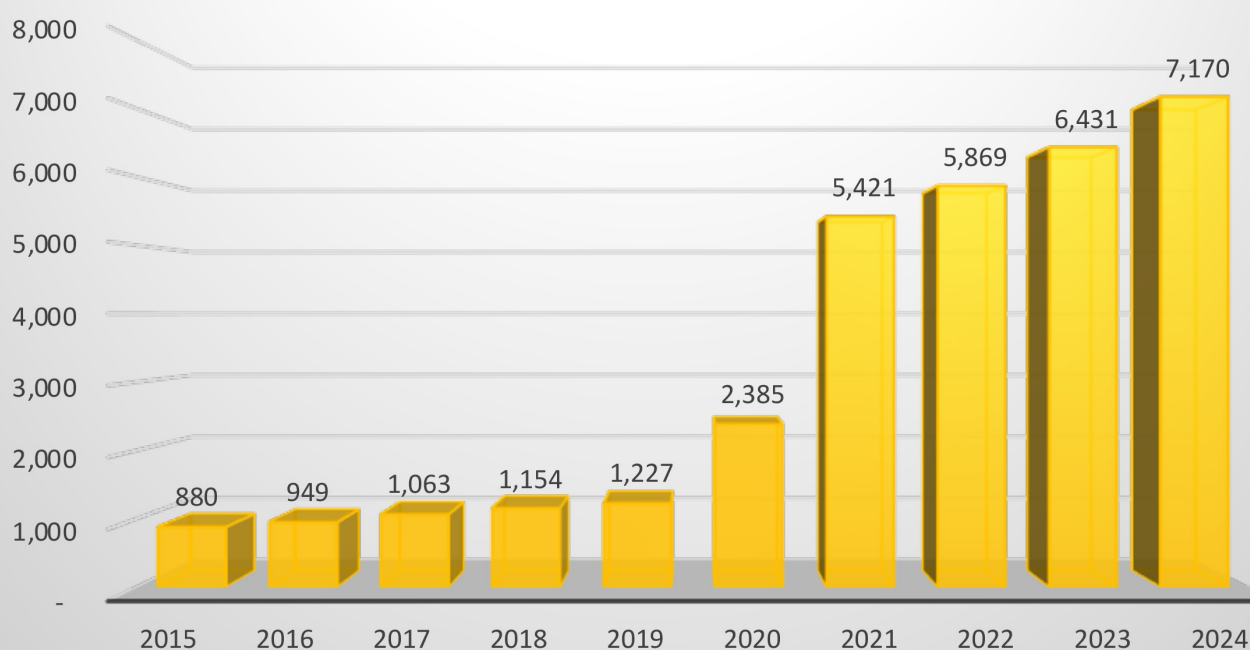
FINANCIAL HIGHLIGHTS

No. of Branches



Equity

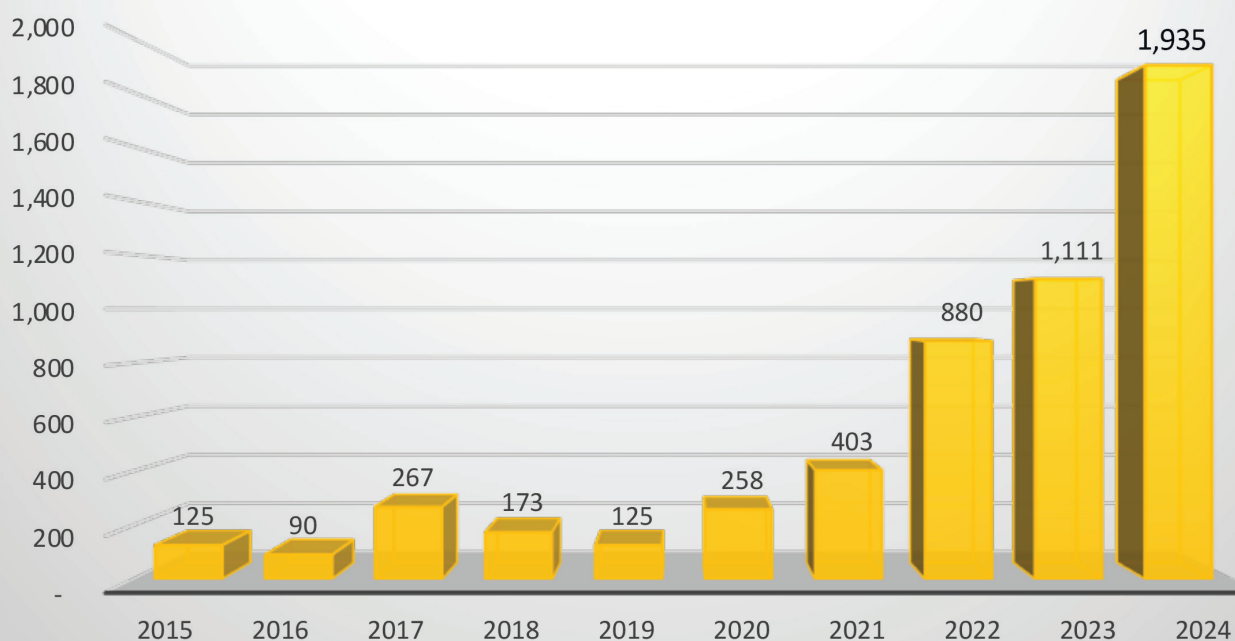
Rs. in Million



FINANCIAL HIGHLIGHTS

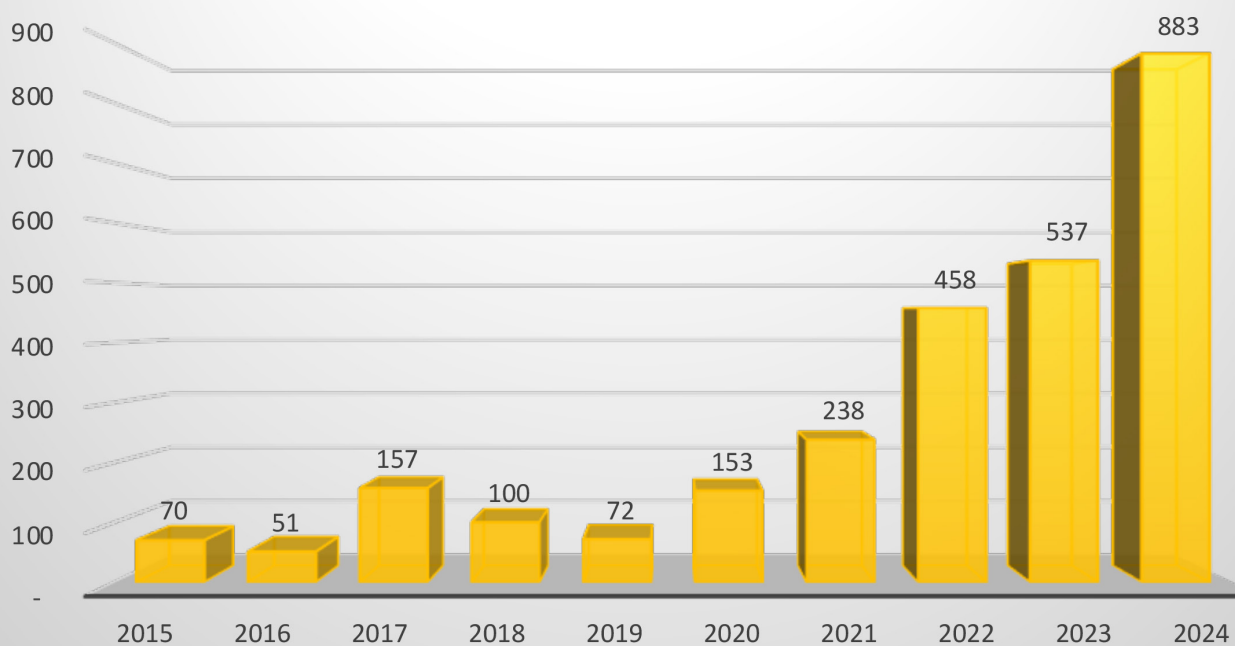
Profit Before Tax

Rs. in Million



Profit After Tax

Rs. 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

Advance
Salary
Scheme



Running
Finance



Health Care
Service
Finance



Tourism
Promotion
Finance



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.

Small Business Trade Finance

To ensure easy access of businessmen/traders community for their working capital requirement on soft terms.

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. 3,000,000/-
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 the value of 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

سونارکھوائیں پیسے لے جائیں

سونے کی مالیت کا 80%
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۔

BAJK
Bank of Azad Jammu & Kashmir
آپ کی پہچان

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 | ☒ BAJK Account Holder |
| ☒ Finance Amount up to Rs.10 Million | ☒ The Property having a clear Title and Approved Building Plan |
| ☒ Affordable Mark- up Rate | ☒ Life and Property Insurance |
| ☒ Applicant must be AJK Resident having Valid CNIC | ☒ Partial/ Premature Adjustment Allowed |
| ☒ Clean eCIB/Data Check | |



For more information
Please visit

BAJK's 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:** 95% 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)

سرمایہ محفوظ

ذاتی ضرورت کے لیے فوری قرض

سرمائے کا 95%
تک قرض کی سہولت حاصل کریں



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 30%
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.



Motorcycle Loan

A Drive that Warrants it!



SALIENT FEATURES

- | | |
|--|--|
| ☒ Tenure up to 3 Years | ☒ BAJK Account Holder |
| ☒ Finance Amount as per actual cost of Motorcycle | ☒ Debt Service Ratio 35% |
| ☒ Lowest Mark-up Rate | ☒ Equally Monthly Installments |
| ☒ Applicant must be BJK Resident having Valid CNIC | ☒ Fast Track Processing |
| ☒ Clean eCIB/Data Check Report | ☒ No Hidden Charges |

ELIGIBLE CUSTOMERS:

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

For more information
Please visit
BAJK's Nearest Branch

Home Appliances Finance

Making Comfortable Living Possible!

SALIENT FEATURES

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



For more information
Please visit
BAJK's Nearest Branch

www.bankajk.com

بینک کی شرائط و ضوابط لاگو ہوں گی۔

Running Finance

Finance Working Capital for 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	• 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
- ➔ Quick Processing

For more information
Please visit
BAJK's Nearest Branch



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
- ✓ Clean eCIB/Data Check Report
- ✓ BAJK Account Holder
- ✓ Comprehensive Insurance of Assets to be Purchased
- ✓ Fast Track Processing
- ✓ No Hidden Charges



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	• 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 Finance Services

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
-



**TODAY WE BUILD
A BRIGHTER TOMORROW**

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

www.bankajk.com

Agriculture Finance

Earn Livelihood and Contribute towards food security Loan for growing crops, vegetables, orchards, floriculture etc. Household and commercial level financing for agricultural inputs, implements, tractors and other agricultural machinery.

Agriculture Production / Development Loan

Loan Features	Agri Production: For purchase of seeds, pesticides fertilizers etc. Agri Development: For purchase of assets (farm equipment/machinery), dairy, poultry, goat-sheep and fish farms development as well as other agricultural development activities
Eligibility	Progressive and willing farmers in the category of individuals, joint ventures and group initiatives having own or leased land for farming/agricultural activities
Age Limit	18 to 60 Years
Loan Limit	Agri Production: Upto Rs. 200,000 Agri Development: Upto Rs. 1,000,000
Tenure	Up to 5 years
Repayment	Monthly/Quarterly/Half Yearly Installments
Primary Security	Hypothecation of stock
Secondary Security	up to Rs. 200,000/- One P.G of BPS-11 or lien on deposits / pledge of gold Above Rs. 200,000/- Mortgage of property or lien on deposits / pledge of gold
Insurance	As per Bank's policy / Live Stock to be Tagged
Margin	20% in case of purchase of Tractor, machinery



Agriculture Finance

Agri Development

- Dairy farms
- Sheep and goat Farms
- Poultry Farms
- Small Scale Household Based) Livestock
- fattening/milching units
- Small scale (House Based) Poultry units
- commercial Fish farming
- Processing of Pickles/Jams /Jellies/marmalade
- Apiculture/Honey bees
- Nursery for fruits and ornamental plants
- Fruit Orchard

Agri Production

- Pesticides • Seeds • Fertilizers • Crops
- Tractor/agriculture machinery
- Dairy/poultry farm machinery
- Setting up grinding units/machine
- Green tunnels(walk-in tunnels and high tunnels)
- Construction of protection walls around agricultural lands
- cold storage units
- Water-powered flour machine(Jander/pan.chaki)
- Establishment of water pumping machine/equipment for irrigation
- construction of irrigation channels/irrigation system improvement
- Marketing of fruits and vegetable



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
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





DIRECTORS' REVIEW REPORT

Together We Rise



On behalf of the Board of Directors, it gives us immense pleasure to present the 19th Annual Report of the Bank of Azad Jammu and Kashmir for the year ended 31st December 2024.

In the first half of FY2025, Pakistan's economy showed remarkable signs of stabilization and recovery. The most notable change was the sharp decline in inflation, which fell from 12.6% in June 2024 to just 4.1% by December 2024. This was a significant improvement compared to the staggering 29.7% recorded in December 2023. On average, the Consumer Price Index (CPI) for the July-December 2024 period settled at 7.3%, a dramatic drop from 28.8% during the same period last year.

This period of disinflation provided the State Bank of Pakistan (SBP) with the room to shift its monetary policy stance. In June 2024, the SBP kick-started an aggressive easing cycle with a 150-basis point cut in the policy rate. The central bank continued to slash rates, cutting an additional 750 basis points over the next six months. As a result, the policy rate dropped from 20.5% at the end of June to 13% by December 2024. In total, the SBP reduced rates by 900 basis points in 2024, bringing the rate down from 22% at the start of the year to 13% by year-end. While inflation cooled and interest rates fell, Pakistan's external sector experienced mixed results. Exports grew by 7% year-on-year, rising from \$18.9 billion in the first half of FY2024 to \$20.3 billion in the same period of FY2025. Imports, however, climbed even faster up 9% YoY from \$30.5 billion to \$33.4 billion. This widened the trade deficit to \$13.1 billion, a 13% increase from the \$11.6 billion recorded the previous year. Despite the growing trade gap, Pakistan's external position improved significantly, thanks to a surge in remittances.

Overseas Pakistanis sent home \$17.8 billion in the first half of FY2025, marking a robust 33% increase from \$13.4 billion in the same period last year. These strong inflows not only helped cover the trade deficit, however, also offset the primary income deficit. As a result, the current account swung into a surplus of \$1.2 billion, a stark turnaround from the \$1.4 billion deficit recorded in the same period the previous year. Throughout this time, the exchange rate remained stable, hovering around PKR 278 per USD with minimal fluctuations. On the fiscal front, however, challenges persisted. The Federal Board of Revenue (FBR) collected PKR 5,623 billion in taxes during the first half of FY2025, falling short of its target of PKR 6,009 billion by PKR 386 billion. Recognizing the gap, the government is expected to introduce additional measures aimed at accelerating revenue growth while tightening expenditure.

These efforts are critical to ensuring the fiscal deficit remains within the limits agreed upon with the International Monetary Fund (IMF). Overall, the first half of FY2025 painted a picture of an economy navigating through challenges with signs of resilience, driven by monetary easing, strong remittance inflows, and a controlled inflation environment, even as fiscal pressures and external vulnerabilities continued to demand careful management

The bull-run in the Pakistan stock market, which began in July 2023, continued strong through CY 2024. Key drivers included post-election stability, falling inflation, the successful completion of the IMF’s StandBy Arrangement (SBA), the start of a new USD 7 billion Extended Fund Facility (EFF), and significant monetary easing by the SBP. Sectors like commercial banks, fertilizers, oil exploration, and cement led the rally, fueled by earnings growth, stable payouts, and attractive valuations. The KSE-100 rose 46.7% in H1FY2025 compared to 50.6% in H1FY2024, with November and December 2024 contributing a combined 29.4% gain. The index hit an all-time high of 116,169 points in December, closing the year at 115,126 points. CY 2024 delivered an impressive 84.3% return (87% in USD), making Pakistan the second-best performing market globally. Market capitalization grew from \$32 billion to \$52 billion within the year.

At the heart of our operations lies a strong emphasis on quality control and compliance with international standards, reflecting our dedication to sustainability and consumer safety. Our ongoing investments in superior raw materials, state-of-the-art technology, and highly trained professionals enable us to adapt to the changing needs of our customers. This approach not only ensures the consistent delivery of top-quality products but also strengthens our position as an industry leader committed to excellence and responsible practices.

BANK’S OPERATING RESULTS AND FINANCIAL REVIEW

The highlights of the financial results for the year ended 31st December, 2024 are as follows:

Financial Position

	2024	2023
	<i>Rupees in Millions</i>	
Shareholders’ Equity	7,171	6,431
Total Deposits	40,129	24,145
Total Assets	50,819	32,560
Advances- net	4,420	3,874
Investments-net	18,377	57

Financial Performance

	2024	2023
	<i>Rupees in Millions</i>	
Net Markup Income	3,289	2,224
Non-Markup Income	139	43
Non-Markup Expenses	1,527	1,168
Operating Profit	1,901	1,112
Provisions and write-offs(net)	-34	0.50
Profit before Tax	1,935	1,111
Profit after Tax	883	537
Basic and Diluted earnings per share – Rupees	1.48	0.97

was encouraging during the year. Our results for the year 2024 were outstanding despite of the toughest market environment. With a vision to fulfill the needs of our clients, we are now on the path of progress and serving the society at larger scale.

During the year 2024, by the grace of ALLAH SWT, BAJK had made head way towards growth and development. It has crossed many milestones like growth in deposits, advances and profitability. Tremendous achievements were made in Deposits growth, Remittances and Profit during the period under review due to result-oriented marketing strategies, tireless efforts and blended teamwork. The Bank managed to achieve the unprecedented performance by posting a record amount of operating profit of Rs. 1,901 Million by the end of December, 2024. Likewise, deposits of the Bank which stood at Rs. 24.14 Billion in December, 2023 increased to Rs.40.13 Billion by December, 2024.

ACKNOWLEDGMENT

On behalf of the Board of Directors of the Bank we would like to express my tremendous gratitude to the Honorable President of the State and the Prime Minister of Azad Government of the State of Jammu and Kashmir for taking keen interest in patronizing BAJK and all the Government functionaries for its support to promote the activities of the Bank. We owe sincere gratitude to the valued customers for their continued patronage and reposing trust all the time and also acknowledge the unremitting efforts of the entire BAJK team for hard-work, dedication and commitment.

May All Almighty bestow His blessings upon us.

For and on behalf of the Board

Shahid Shahzad Mir

President/CEO

AUDITORS' REPORT





YOUSUF ADIL
PACE ALIGNED ...

Yousuf Adil
Chartered Accountants

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

Tel: +92 (0) 51 8734400-3
Fax: +92 (0) 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, 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 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.



YOUSUF ADIL

PACE ALIGNED ...

Yousuf Adil
Chartered Accountants

- 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: August 15, 2025

UDIN: AR202410414s5Krlh0Tu

FINANCIAL STATEMENTS

Together We Multiply



THE BANK OF AZAD JAMMU AND KASHMIR

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

	Note	2024 -----Rupees in '000-----	2023
ASSETS			
Cash and balances with treasury banks	7	8,035,204	9,047,433
Balances with other banks	8	18,566,193	18,968,670
Lendings to financial institutions		-	-
Investments	9	18,377,198	56,771
Advances	10	4,420,339	3,874,147
Property and equipment	11	328,024	282,139
Right of use asset	12	208,025	140,609
Intangible assets	13	-	-
Deferred tax assets -net	14	263,817	31,984
Other assets	15	620,305	158,143
		50,819,105	32,559,896
LIABILITIES			
Bills payable	16	37,951	93,259
Borrowings		-	-
Deposits and other accounts	17	40,129,385	24,144,665
Lease liabilities	18	217,501	167,028
Subordinated debt		-	-
Other liabilities	19	3,263,715	1,723,814
		43,648,552	26,128,766
NET ASSETS		7,170,553	6,431,130
REPRESENTED BY			
Share capital	20	5,957,089	5,528,621
Reserves	21	644,787	468,146
Surplus/(Deficit) on revaluation of financial asset at FVOCI	22	321	903
Unappropriated profit		568,356	433,460
		7,170,553	6,431,130
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 45 form an integral part of these financial statements.

Sd/-
President and CEO

Sd/-
Chief Financial Officer

Sd/-
Director

Sd/-
Director

Sd/-
Director

THE BANK OF AZAD JAMMU AND KASHMIR PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	2024 -----Rupees in '000-----	2023
Mark-up / return / interest earned	24	7,489,514	4,809,494
Mark-up / return / interest expensed	25	(4,211,124)	(2,585,433)
Net mark-up / interest income		3,278,390	2,224,061
NON MARK-UP/INTEREST INCOME			
Fee and commission income	26	42,291	32,165
Dividend income		10,574	12,340
Other income	27	96,091	14,043
Loss on sale of securities		-	(1,949)
Total non-markup / interest income		148,956	56,599
Total income		3,427,346	2,280,660
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	28	1,526,532	1,168,917
Workers welfare fund		-	-
Other charges		-	-
Total non-markup / interest expenses		1,526,532	1,168,917
Profit / (Loss) before credit loss allowance		1,900,814	1,111,743
Credit loss allowance and write offs - net - charge/(reversal)	29	(34,082)	505
PROFIT BEFORE TAXATION		1,934,896	1,111,238
Taxation	30	(1,051,691)	(573,758)
PROFIT AFTER TAXATION		883,205	537,480
Basic and diluted earnings per share	31	1.48	0.97

The annexed notes 1 to 45 form an integral part of these financial statements.

Sd/-
President and CEO

Sd/-
Chief Financial Officer

Sd/-
Director

Sd/-
Director

Sd/-
Director

THE BANK OF AZAD JAMMU AND KASHMIR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	-----Rupees in '000-----	
Profit after taxation for the year	883,205	537,480
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus on revaluation of debt investments through FVOCI	(1,072)	43,574
Related deferred tax expense	490	(18,843)
	(582)	24,731
Total comprehensive income	882,623	562,211

The annexed notes 1 to 45 form an integral part of these financial statements.

Sd/-
President and CEO

Sd/-
Chief Financial Officer

Sd/-
Director

Sd/-
Director

Sd/-
Director

THE BANK OF AZAD JAMMU AND KASHMIR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

	Share capital	Surplus/ (deficit) on revaluation	Surplus/(Deficit) on revaluation of financial asset at FVOCI	Unappropriated Profit	Statutory Reserve	Total
	-----Rupees in '000-----					
Balance as at January 01, 2023	5,142,903	(23,828)	-	389,194	360,650	5,868,919
Profit after taxation for the year ended December 31, 2023	-	-	-	537,480	-	537,480
Other comprehensive income - net of tax		24,731	-			24,731
Transfer to statutory reserve	-	-	-	(107,496)	107,496	-
Transactions with owners, recorded directly in equity						
Issue of Bonus Shares	385,718	-	-	(385,718)	-	-
Balance as at December 31, 2023	5,528,621	903	-	433,460	468,146	6,431,130
Impact of adopting IFRS 9 - net of deferred tax	-	(903)	903	(143,200)	-	(143,200)
Restated Balance at January 01, 2024 under IFRS 9	5,528,621	-	903	290,260	468,146	6,287,930
Profit after taxation for the year ended December 31, 2024	-	-	-	883,205	-	883,205
Other comprehensive income - net of tax	-	-	(582)	-	-	(582)
Transfer to statutory reserve	-	-	-	(176,641)	176,641	-
Transactions with owners, recorded directly in equity						
Issue of bonus shares	428,468	-	-	(428,468)	-	-
Balance as at December 31, 2024	5,957,089	-	321	568,356	644,787	7,170,553

The annexed notes 1 to 45 form an integral part of these financial statements.

Sd/-
President and CEO

Sd/-
Chief Financial Officer

Sd/-
Director

Sd/-
Director

Sd/-
Director

THE BANK OF AZAD JAMMU AND KASHMIR

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2024

CASH FLOW FROM OPERATING ACTIVITIES

	Note	2024 ----- Rupees in '000 -----	2023
Profit before taxation		1,934,896	1,111,238
Less: Dividend income		(10,574)	(12,340)
		1,924,322	1,098,898
Adjustments:			
Net mark-up / interest income		(3,278,390)	(2,224,061)
Depreciation	11.2	59,096	42,190
Depreciation on right-of-use assets		46,507	40,831
Interest expense on lease liability	25	39,000	33,650
Credit loss allowance and write offs	29	(34,082)	505
Provision for gratuity		47,095	26,630
Provision for leave encashment		15,207	109,434
Provision for bonus		90,258	62,927
Deferred cost on staff loans		47,838	-
Gain on sale of property and equipment		(17,245)	-
Loss on sale of security	27	-	1,949
		(2,984,716)	(1,905,945)
		(1,060,394)	(807,047)
(Increase)/decrease in operating assets			
Advances		(785,957)	(584,422)
Others assets (excluding advance taxation)		(1,216)	31,151
		(787,173)	(553,271)
Increase/(decrease) in operating liabilities			
Bills payable		(55,308)	10,508
Deposits		15,984,720	3,140,436
Other liabilities (excluding current taxation)		4,355	170,174
		15,933,767	3,321,118
		14,086,200	1,960,800
Payments against off-balance sheet obligations			
Payment against Interest expense on lease liability		(39,000)	(32,212)
Income tax paid		(502,831)	(564,276)
Interest received		6,331,821	3,587,843
Interest paid		(3,462,747)	(2,585,433)
Net cash flow from / (used in) operating activities		16,413,443	2,366,722
CASH FLOW FROM INVESTING ACTIVITIES			
Net Investments in amortized cost securities		(17,346,622)	-
Dividend income received		10,574	12,340
Net (investments in) / proceeds from placement with banks		5,441,303	(622,150)
Investments in property and equipment		(105,061)	(106,554)
Disposal of property and equipment		17,348	-
Proceeds from sale of securities		-	148,051
Net cash flow generating from / (used in) investing activities		(11,982,458)	(568,313)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(63,450)	(29,763)
Net cash flow from/ (used in) financing activities		(63,450)	(29,763)
(Decrease)/Increase In cash and cash equivalents		4,367,535	1,768,646
Cash and cash equivalents at beginning of the period		7,703,554	5,934,908
Cash and cash equivalents at end of period		12,071,089	7,703,554

The annexed notes 1 to 45 form an integral part of these financial statements.

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Sd/-
President and CEO

Sd/-
Chief Financial Officer

Sd/-
Director

Sd/-
Director

Sd/-
Director

THE BANK OF AZAD JAMMU AND KASHMIR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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 own 100 percent of ordinary shares of the Bank as on December 31, 2024(2023: 100%) respectively.

The Bank has 87 branches (2023: 85 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 13 dated July 01, 2024, 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.
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP).

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

2.2 New accounting standard adopted during the year - IFRS 9 'Financial Instrument'

As per SBP BPRD Circular no 7 of 2023, IFRS 9 Financial Instruments is effective for periods beginning on or after 01 January 2024 along with IFRS 9 Application Instructions for ensuring smooth and consistent implementation of the standard in the banks. The Bank has adopted IFRS 9 (read with IFRS 9 application instructions issued by SBP) with date of initial application as January 01, 2024, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. Further, the State Bank of Pakistan has clarified through its BPRD Circular letter no 16 of 2024 and BPRD Circular letter no 01 of 2025, the accounting practices relating to such areas which are applied for the purposes of preparation of these financial statements In terms of the transitional provisions of IFRS 9, adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening unappropriated profit and other reserves at the beginning of the current year without restating the comparative figures (modified retrospective approach as per IFRS 9). The Impact on carrying amounts of the financial assets and liabilities is disclosed in Note 6 of these financial statements .

2.3 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. New categories of financial assets under IFRS 9 are as follow:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under prior accounting policy.

2.4 Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairments loss by replacing prior incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are effective for the year ended December 31, 2024

The following amendments are effective for the year ended December 31, 2024. These amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

IFRS 9 Financial instruments - Accounting and reporting standard

Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions.

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current along with Non-current liabilities with Convenants.

Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements

2.6 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

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

Effective from accounting period beginning on or after

IAS 21 The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability

January 01, 2025

IFRS 17	Insurance Contracts (Including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2026
IFRS 9 IFRS 7	Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial Instruments.	January 01, 2026
	Annual Improvements to IFRS Accounting Standards (related to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 .	January 01, 2026
IFRS -17	Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments disclosures' - Contracts Referencing Nature-dependent Electricity.	January 01, 2026

Further, the following new standards have been Issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability In Pakistan:

Standard

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 18	Presentation and Disclosures in Financial Statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

2.6.1 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

2.7 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 expected credit allowance against investment (note 5.2)
- ii) Expected credit loss allowance against financial assets (note 4.4)
- iii) Valuation and impairment of available for sale securities (note 5.2.5)
- iv) Useful life/depreciation of property and equipment (note 5.4) and valuation of right of use asset and lease liability (note 5.6)
- v) Current and deferred taxation (note 5.9)

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 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as disclosed in Notes 4.1 and 4.2.

4.1 Changes In reporting format

The SBP vide BPRD Circular No. 13 dated July 01, 2024 specified the new format for preparation of financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the year ended December 31, 2024 which has resulted in additional disclosures relating to IFRS 9 and reclassification of Lease liabilities and Right of use assets on the face of Statement of Financial Position out of Property and equipment and Other Liabilities, respectively in these financial statements.

4.2 Financial Instruments - initial recognition (accounting policy applicable from January 01, 2024)

a) Date of recognition:

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value; however, in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to or subtracted from this amount, and loan processing fees (LPF) are subtracted from or added to it.

c) Measurement categories of financial assets and liabilities

From January 01, 2024, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through Other comprehensive income (FVOCI), and
- Fair value through profit and loss (FVTPL)

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

d) Financial assets and liabilities

Due from banks, Loans and advances to customers and Investments

From January 01, 2024, the Bank measures Due from banks, Loans and advances to customers and Investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'best case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the

e) Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test .

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognized¹ in OCI are reclassified from OCI to profit or loss.

f) Equity Instrument at FVOCI

Upon Initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an Instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

g) Financial assets and financial liabilities at FVTPL

Financial assets and financial liabilities in this category are those that are:

- held for trading, that is, they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking, or
- not held for trading and have been either designated by management upon initial recognition, or mandatorily required to be measured at fair value under IFRS 9

Financial assets are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss account. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

h) Financial liabilities at amortised cost

Financial liabilities which are measured at amortised cost using the EIR method. These include Bills payable, Borrowings, Deposits and certain items within other liabilities

i) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

4.3 Derecognition of financial assets and liabilities

a) Derecognition for substantial modification of Financial assets

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchase originated credit impaired (POCI). When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers qualitative factors, or if the modification is such that the instrument would no longer meet the SPPI criterion.

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

b) Derecognition other than for substantial modification Financial assets

A financial asset (or, where applicable, a part of a financial asset) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

c) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

d) Reclassification of financial assets and liabilities

From January 01, 2024, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

4.4 Impairment of financial assets (Policy applicable from January 01, 2024)

a) Overview of the ECL principles

IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing incurred loss approach with a forward-looking ECL approach. From January 01, 2024, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1 When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been - reclassified from Stage 2.
- Stage 2 When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 Loans considered credit-impaired . The bank records an allowance for the LTECLs
- POCI Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

b) The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below

- PD PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- LGD The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments .

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- Stage 1 The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2 When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3 For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

c) Debt Instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

d) Purchased or originated credit Impaired financial assets (POCI)

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

e) Forward looking Information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Consumer price indices
- Un-employment rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material .

f) Credit enhancements: collateral

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as gold, vehicle, house etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of eligible collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a requirement basis.

Eligible collateral are those which has i) legal certainty and enforceability, and ii) history of forcibility and recovery. The bank has not consider any collateral as eligible for adjustment of EAD.

g) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Credit loss allowance and write offs - net

h) ECL on government guaranteed credit exposure

ECL on credit exposure (in local currency) that have been guaranteed by the Government of Pakistan and Government Securities, has not been estimated due to exemption available under IFRS instructions issued by SBP through circular no. 3 of 2022 dated 05 July 2022.

i) Two track approach for stage 3 loans

As per instructions issued by SBP, the bank used two track approach for ECL assessment on stage 3 loans . As per this approach the bank calculated provision /ECL both under Prudential Regulations (PRs) issued by SBP for banks and IFRS 9 and higher amount has been taken and final ECL.

4.5 Credit risk manaRe ment

Credit risk arises from the potential that an obliger 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.

**a) PD estimation process
Consumer lending**

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises commercial, consumer secured, consumer unsecured, auto, house, agriculture and small medium enterprise loans. The Bank does not have credit score card model for consumer lendings, therefore, the Bank used delinquency (day past due) based model for estimation of PCs which is based on overdue installments. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 31, 2019 till December 31, 2024 has been used for PD estimations.

b) LGD estimation process

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in to the calculation of LGD. Effective Interest rate or approximate there of has been used to discount recoveries to date of default. Data from January 31, 2019 till date has been used for LGD estimations for the parties classified as default till December 31, 2024.

c) Forward looking Information:

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on management judgement and analysis of historical default rates. GDP growth rate, CPI and un-employment rate were considered to be the most suitable for the Bank's customers. The GDP, CPI and un-employment rate forecast were sourced from International Monetary Fund (IMF) which were used to determine forward looking Point in time PDs (Pit PDs).

5 Policies prior to adoption of IFRS 9 'Financial Instrument'

5.1 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, current accounts with treasury banks, and balances with other Banks.

5.2 Investments

5.2.1 Classification

Held for trading

These are securities included in a portfolio in which a pattern of short-term trading exists or which are acquired for generating a profit from short-term fluctuations in market prices or interest rate movements.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

Available for sale

These are investments, other than investments in subsidiaries, associates and joint ventures, that do not fall under the held for trading or held-to-maturity categories.

5.2.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by Prudential Regulations of the State Bank of Pakistan or market convention are recognised at the trade date. The trade date is the date on which the Bank commits to purchase or sell the investment.

5.2.3 Initial measurement

In the case of investments classified as held-for-trading, transaction costs are expensed through the profit and loss account. Transaction costs associated with investments other than those classified as held-fortrading are included in the cost of the investments.

5.2.4 Subsequent measurement

Held-for-trading

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised gain / loss arising on revaluation is taken to the profit and loss account.

Held-to-maturity

Investments classified as held-to-maturity are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Available for sale

Listed securities if any, are classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account (shown as part of equity in statement of financial position) and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

Unlisted equity securities, if any are carried at the lower of cost and break-up value. The break-up value is calculated with reference to the net assets of the investee Bank as per its latest available audited financial statements. Other unlisted securities are valued at cost less impairment, if any.

5.2.5 Impairment

Impairment loss if any in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

5.3 Advances

Advances are stated net of credit loss allowance, for policy applicable to credit loss allowance is outlined in note 4.4 of these financial statements.

Provision against Advances - Policy applicable for the period ended on or before December 31, 2023 Specific and general provisions are made based on an appraisal of the loan portfolio that takes into account Prudential Regulations issued by the State Bank of Pakistan from time to time. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected. The general provision is for the inherent risk of losses which, although not separately identified, are known from experience to be present in any loan portfolio. Provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against advances .

5.4 Property equipments, intangibles and depreciation

Capital work-in-progress

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

Tangible assets

Property and equipment 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 property and equipment 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.

5.5 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.

5.6 Right-of-use assets and related lease liability

5.6.1 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.

5.6.2 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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 ..

5.11 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.

Classification	DPD Criteria			
	General loans	Housing loans	Enterprise loans	Enterprise loans (Property collateral)
Days passed due based classification (DPD)				
OAEM	30-59	90-179	90-179	90-179
Substandard	60-89	180-364	180-364	180-364
Doubtful	90-179	365-729	365-544	365-544
Loss	180-209	730-1944	545-1214	545-1944
Write Off	=>210	=>1945	=>1215	=>1945
Suspension Percentage				
OAEM	0%	0%	100%	100%
Substandard	100%	100%	100%	100%
Doubtful	100%	100%	100%	100%
Loss	100%	100%	100%	100%
Write Off	100%	100%	100%	100%

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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.16.1 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.

5.16.2 Geographical segments

The Bank only operates in Azad Jammu and Kashmir.

5.17 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.

6 Transition disclosure

- 6.1 The following paras set out the impact of adopting IFRS9 on the statement of financial position and retained earnings including the effect of placing prior accounting policy of incurred credit loss calculations with IFRS9's Expected Credit Loss (ECLs). A reconciliation between the carrying amounts under prior accounting policy to the balances reported under IFRS9 as of December 31, 2023 is, as follows:

Description	Note	Previous financial reporting framework		Reclassification	Remeasurement	Current IFRS-9 reporting framework	
		Category	Amount			Category	Amount
-----Rupees in '000-----							
Financial Assets							
CASH AND BALANCES WITH TREASURY BANKS	7	With National Bank of Pakistan (amortized cost)	9,047,433	829,093	-	9,876,526	Amortized cost
BALANCES WITH OTHER BANKS	8	Balances with other banks (amortized cost)	18,968,670	2,436,130	(319,054)	21,085,746	Amortized cost
INVESTMENTS	9	Available-for-sale securities	56,771	-	-	56,771	Fair value through OCI
		Held-to-maturity securities	49,940	-	-	49,940	Amortized cost
ADVANCES	10	Advances (amortized cost)	3,874,147	78,277	7,750	3,960,174	Amortized cost
OTHER ASSETS	15	Income / markup accrued (amortized cost)	3,423,366	(3,343,500)	-	79,866	Amortized cost
Financial Liabilities							
DEPOSITS AND OTHER ACCOUNTS	17	Deposits and other accounts (Amortized cost)	(24,144,665)	(358,022)	-	(24,502,687)	Amortized cost
OTHER LIABILITIES	19	Other liabilities (amortized cost)	(1,723,814)	358,022	-	(1,365,792)	Amortized cost
Non-financial assets							
Deferred tax asset	14	Deferred tax assets	31,984	-	168,104	200,088	Amortized cost
Net Assets							
SURPLUS / (DEFICIT) ON REVALUATION OF FINANCIAL	22	Available for sale	903	(903)	-	-	-
Surplus on revaluation on investments measured at fair value through OCI - Net of deferred tax	-		-	903	-	903	Fair value through OCI
			9,584,735	-	(143,200)	9,441,535	

6.2 The Impact of transition to IFRS 9 on unappropriated profit and revaluation of investment as at 1 January 2024 is as follows:

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

Unappropriated profit

Balance at December 31, 2023	433,460
Impact of adopting IFRS 9 - net of related deferred tax	(143,200)
Restated balance at December 31, 2023	<u>290,260</u>

Fair value reserve of financial assets at FVOCI

Balance at December 31, 2023	-
Impact of adopting IFRS 9 - net of related deferred tax	903
Restated balance at December 31, 2023	<u>903</u>

(Deficit) / surplus on revaluation of assets - net

Balance at December 31, 2023	903
Impact of adopting IFRS 9 - net of related deferred tax	(903)
Restated balance at December 31, 2023	<u>-</u>

7 CASH AND BALANCES WITH TREASURY BANKS

In- hand			
Local currency		521,489	308,314
With National Bank of Pakistan in			
Local currency current account		50,231	374,440
Local currency deposit account	7.1	80,589	35,586
Local currency term deposit account	7.2	6,750,000	7,500,000
Total		6,880,820	7,910,026
Accrued Mark-up		632,895	829,093
Prize bonds		-	-
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
Cash and balances with treasury banks - net of credit loss allowance		<u>8,035,204</u>	<u>9,047,433</u>

Note 2024 2023
-----Rupees in '000-----

- 7.1** This represents deposit accounts carrying markup rates ranging from 12% to 19% (2023:15.50% to 20.50%) per annum.
- 7.2** This represents term deposits carrying markup rates ranging from 15.25% to 20.85% (2023: 20.00% to 22.60%) per annum having maturities within one year.
- 7.3** Cash and balances with treasury banks are all classified as Stage 1.

8 BALANCES WITH OTHER BANKS

		2024	2023
		-----Rupees in '000-----	
In Pakistan			
In current account		73,980	670,320
In deposit account	8.2 & 8.3	15,929,957	15,862,220
Total		16,003,937	16,532,540
Accrued Mark-up		2,562,256	2,436,130
Less: Credit loss allowance held against balances with other banks		-	-
Balances with other banks - net of credit loss allowance		18,566,193	18,968,670

8.1 Financial asset measured using effective interest rate method :-

Opening balance	-	-
Financial asset measured using effective interest rate method	2,000,000	-
Fair value adjustment as per IFRS 9	(319,054)	-
Addition during the year/ period	-	-
Matured during the year/ period	(300,000)	-
Accretion of interest	48,183	-
Closing balance	1,429,135	-

- 8.2** This includes saving deposit accounts amounting Rs. 1,439,800 thousands (2023: Rs. 1,304,947 thousands) carrying markup rates ranging from 12% to 20% (2023: 15.50% to 20.50%) per annum.

- 8.3** This includes term deposits carrying markup at rates ranging between 11.61% to 23.49% (2023: 16.50% to 24.00 %) per annum. Term deposits have maturities ranging from 3 months to 1 year except for two term deposits amounting to Rs. 500,000 thousand and Rs.1,200,000 thousand placed with a bank maturing in 2029 and 2032 respectively.

- 8.4** Balances with other banks are all classified as Stage 1.

9 INVESTMENTS

9.1 Investments by type

2024				2023			
Fair value/ Amortised cost	Credit loss allowance	Surplus/ (deficit)	Carrying value	Fair value/ Amortised cost	Credit loss allowance	Surplus/ (deficit)	Carrying value
-----Rupees in '000-----							
Measured at amortised							
Treasury Bills	18,321,499	-	-	18,321,499	-	-	-
Term finance certificates	49,940	(49,940)	-	49,940	(49,940)	-	-
Classified as Fair Value Through Other Comprehensive Income							
Units of open ended mutual funds	55,000	-	699	55,699	55,000	-	1,771
							56,771
Total Investments	18,426,439	(49,940)	699	18,377,198	104,940	(49,940)	1,771
							56,771

9.2 Investments by segments

2024				2023			
Cost/ Amortised cost	Credit loss allowance	Surplus/ (deficit)	Carrying value	Fair value/ Amortised cost	Credit loss allowance	Surplus/ (deficit)	Carrying value

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

Federal Government securities:

Market Treasury Bills	18,321,499	-	-	18,321,499	-	-	-	-
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Non Government debt securities

Unlisted

Term finance certificates	49,940	(49,940)	-	-	49,940	(49,940)	-	-
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Units of open ended mutual funds	55,000	-	699	55,699	55,000	-	1,771	56,771
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Total Investments	18,426,439	(49,940)	699	18,377,198	104,940	(49,940)	1,771	56,771
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9.3 Particulars of credit loss allowance

Current Year

Stage 1	Stage 2	Stage 3	Total
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-----Rupees in '000-----

9.3.1 Investments - exposure

Opening balance	56,171	-	-	56,171
-----------------	--------	---	---	--------

New investments	18,321,027	-	-	18,321,027
Investments derecognised or repaid	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-

18,321,027			18,321,027
------------	--	--	------------

Amounts written off/ charged Off	-	-	-	-
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Closing balance	18,377,198	-	-	18,377,198
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Current Year

Stage 1	Stage 2	Stage 3	Total
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-----Rupees in '000-----

9.3.2 Investments - exposure

Gross carrying amount - Current year	-	-	(49,940)	(49,940)
--------------------------------------	---	---	----------	----------

New investments	-	-	-	-
Investments derecognised	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-

Amounts written off/ charged Off	-	-	-	-
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Closing balance	-	-	(49,940)	(49,940)
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9.3.3 Particulars of credit loss allowance against debt securities

2024

Rupees in '000

Domestic Particulars	Stages	Outstanding Amount	Credit loss allowance
Performing	Stage 1	18,377,198	-
Underperforming	Stage 2	-	-
Non-Performing	Stage 3	-	-
Substandard		-	-
Doubtful		-	-
Loss		49,940	(49,940)
		18,427,138	(49,940)
Total		18,427,138	(49,940)

9.4 Quality of securities

Federal government securities - Government guaranteed
Market Treasury Bills

2024	2023
Cost	
Rupees in '000	
18,321,499	-
18,321,499	-

Non government debt securities

Unlisted

MCB Dynamic Cash Fund

NIT Government Bond Fund

25,000	25,000
30,000	30,000
55,000	55,000

9.5 Particulars relating to securities classified Under "Held to Collect" model

Market Treasury Bills

18,321,499	-
18,321,499	-

10 ADVANCES

	Performing		Non performing		Total	
	2024	2023	2024	2023	2024	2023
	-----Rupees in '000-----					
Loans, cash credits, running finances, etc.	4,290,126	3,951,359	201,368	136,514	4,491,494	4,087,873
Accrued markup/income on advances	100,610	-			100,610	-
Advances - gross	4,390,736	3,951,359	201,368	136,514	4,592,104	4,087,873
Provision against advances						
- Specific	-	-	-	(126,784)	-	(126,784)
- General	-	(86,942)	-	-	-	(86,942)
	-	(86,942)	-	(126,784)	-	(213,726)
Credit loss allowance against advances						
- Stage 1	(69)	-	-	-	(69)	-
- Stage 2	(5,610)	-	-	-	(5,610)	-
- Stage 3	-		(166,086)	-	(166,086)	
	(5,679)	-	(166,086)	-	(171,765)	-
Advances - net of credit loss allowance	4,385,057	3,864,417	35,282	9,730	4,420,339	3,874,147

10.1 Particulars of advances (Gross)

In local currency

2024	2023
-----Rupees in '000-----	
4,592,104	4,087,873

10.1.1 Advances include Rs. 201,368 thousand (2023: Rs136,514 thousand) which have been placed under non-performing/ stage 3 status as detailed below:-

Category of classification	2024		2023	
	Non performing loans	Credit loss allowance	Non performing loans	Provision
Domestic				
Other assets especially mentioned (OAEM)	7,497	1,331	1,382	103
Substandard	35,289	9,475	7,929	1,922
Doubtful	5,097	2,586	1,344	672
Loss	153,485	152,694	125,859	124,087
Total	201,368	166,086	136,514	127,687

10.2 Particulars of credit loss allowance

10.2.1 Advances - Exposure

Opening Balance
IFRS 9 impact
Gross carrying amount

New advances
Advances derecognised or repaid
Transfer to stage 1
Transfer to stage 2
Transfer to stage 3

Change in Exposure

Total movement in advances -exposure
Amounts written off / charged off
Closing balance

No originally credit impaired financial asset has been purchased during the year (2023: Nil).

Current Year

Stage 1	Stage 2	Stage 3	Total
-----Rupees in '000-----			
-	-	-	-
3,716,965	88,537	598,884	4,404,386
3,716,965	88,537	598,884	4,404,386
1,077,350	2,508	-	1,079,858
(841,343)	21,722	(53,612)	(873,233)
391,429	(24,100)	(367,329)	-
(62,250)	75,134	(12,884)	-
(66,211)	(7,976)	74,187	-
498,975	67,288	(359,638)	206,625
86,766	(67,796)	(37,749)	(18,778)
585,741	(508)	(397,387)	187,847
-	-	(129)	(129)
4,302,706	88,030	201,368	4,592,104

10.2.2 Advances -Credit loss allowance

Opening Balance
IFRS 9 impact
Gross carrying amount

New advances
Advances derecognised or repaid
Transfer to stage 1
Transfer to stage 2
Transfer to stage 3

Change in Exposure

Total movement in advances -exposure
Amounts written off / charged off
Closing balance

Current Year

Stage 1	Stage 2	Stage 3	Total
-----Rupees in '000-----			
-	-	-	-
24,593	7,634	173,749	205,976
24,593	7,634	173,749	205,976
16	286	-	302
(6,966)	(792)	9,305	1,547
23,537	(3,708)	(19,829)	-
(12,263)	14,351	(2,088)	-
(1,372)	(1,095)	2,467	-
2,952	9,042	(10,145)	1,849
(27,476)	(11,066)	2,353	(36,189)
(24,524)	(2,024)	(7,792)	(34,340)
-	-	129	129
69	5,610	166,086	171,765

10.2.3 Advances - Category of classification

Outstanding gross exposure
Performing - Stage 1
Under Performing - Stage 2
Non-performing - Stage 3
Other assets especially mentioned
Substandard
Doubtful
Loss

Total
Corresponding ECL

Current Year

Stage 1	Stage 2	Stage 3	Total
-----Rupees in '000-----			
4,302,706	-	-	4,302,706
-	88,030	-	88,030
-	-	7,497	7,497
-	-	35,289	35,289
-	-	5,097	5,097
-	-	153,485	153,485
-	-	201,368	201,368
4,302,706	88,030	201,368	4,592,104
(69)	(5,610)	(166,086)	(171,765)
4,302,637	82,419	35,282	4,420,339

10.2.4 Particulars of credit loss allowance against advances

		2024			2023		
		Stage 3	Stage 1 & 2	Total	Stage 3	Stage 1 & 2	Total
-----Rupees in '000-----							
Opening balance		-	-	-	-	-	213,809
IFRS 9 impact		173,749	32,227	205,976	-	-	-
Charge for the year		-	-	-	-	-	505
Reversals		(7,663)	(28,548)	(34,211)	-	-	-
Amounts written off	10.3.2	-	-	-	-	-	(588)
Closing balance		166,086	5,679	171,765	-	-	213,726

10.2.5 Particulars of credit loss allowance against advances

		2024			2023		
		Stage 3	Stage 1 & 2	Total	Stage 3	Stage 1 & 2	Total
-----Rupees in '000-----							
In local currency		166,086	5,679	171,765	-	-	213,726
		166,086	5,679	171,765	-	-	213,726

10.2.6 The FSV benefit availed under IFRS 9 Expected credit loss method is Nil (Under Prudential regulation, 2023: Rs. 2,015 thousand). The Financial institutions are advised to consider only those collaterals as eligible collateral in the Exposure at default (EAD) calculation, which have the characteristic of Legal enforceability and history of enforceability and recovery. As the bank has no history of enforceability and history therefore no collateral has been adjusted whilst calculating EAD .

	Note	2024	2023
-----Rupees in '000-----			
10.3 Particulars of write offs:			
10.3.1 Against credit loss allowance		-	-
Directly charged to profit and loss account	10.3.2	(129)	(588)
		<u>(129)</u>	<u>(588)</u>
10.3.2 Write offs of Rs. 500,000 and above			
-Domestic		-	(588)
-Overseas		-	-
Write offs of Below Rs. 500,000		(129)	-
		<u>(129)</u>	<u>(588)</u>

10.3.3 Details of loan write off of Rs. 500,000/-and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-1.(except where such disclosure is restricted by overseas regulatory authorities).

11 PROPERTY AND EQUIPMENT

	Note	2024	2023
-----Rupees in '000-----			
Capital work-in-progress	11.1	17,653	867
Property and equipment	11.2	310,371	281,272
		<u>328,024</u>	<u>282,139</u>

11.1 Capital work-In-progress

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

	2024	2023
-----Rupees in '000-----		
Advances to suppliers	17,653	867

11.2 Property and equipment

2024							
Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Total

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

At January 1, 2023

Cost	69,085	15,120	111,271	138,162	58,460	84,215	80,967	557,280
Accumulated depreciation	-	(13,563)	(66,553)	(79,551)	(33,753)	(46,231)	(36,357)	(276,008)
Net book value	69,085	1,557	44,718	58,611	24,707	37,984	44,610	281,272

Year ended December 2024

Opening net book value	69,085	1,557	44,718	58,611	24,707	37,984	44,610	281,272
Additions	-	-	25,355	21,895	18,167	22,858	-	88,275
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	-	(469)	(112)	-	(12,660)	(13,241)
Accumulated depreciation	-	-	-	389	112	-	12,660	13,161
Depreciation charge	-	(269)	(14,637)	(12,708)	(7,438)	(12,758)	(11,286)	(59,096)
Closing net book value	69,085	1,288	55,436	67,718	35,436	48,084	33,324	310,371

At December 31, 2024

Cost	69,085	15,120	136,626	159,588	76,515	107,073	68,307	632,314
Accumulated depreciation	-	(13,832)	(81,190)	(91,870)	(41,079)	(58,989)	(34,983)	(321,943)
Net book value	69,085	1,288	55,436	67,718	35,436	48,084	33,324	310,371
Rate of depreciation (percentage)	-	10%	20%	10%-20%	20%	20%	20%	

2023							
Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Total

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

At January 1, 2023

Cost	69,085	14,407	84,231	114,121	38,306	63,239	57,110	440,499
Accumulated depreciation	-	(13,394)	(55,539)	(68,240)	(29,791)	(38,725)	(31,226)	(236,915)
Net book value	69,085	1,013	28,692	45,881	8,515	24,514	25,884	203,584

Year ended December 2023

Opening net book value	69,085	1,013	28,692	45,881	8,515	24,514	25,884	203,584
Additions	-	713	27,040	24,041	20,154	20,976	28,765	121,689
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(4,908)	(4,908)
Accumulated depreciation	-	-	-	-	-	-	3,097	3,097
Depreciation charge	-	(169)	(11,014)	(11,311)	(3,962)	(7,506)	(8,228)	(42,190)
Closing net book value	69,085	1,557	44,718	58,611	24,707	37,984	44,610	281,272

At December 31, 2023

Cost	69,085	15,120	111,271	138,162	58,460	84,215	80,967	557,280
Accumulated depreciation	-	(13,563)	(66,553)	(79,551)	(33,753)	(46,231)	(36,357)	(276,008)
Net book value	69,085	1,557	44,718	58,611	24,707	37,984	44,610	281,272
Rate of depreciation (percentage)	-	10%	20%	10%-20%	20%	20%	20%	

11.3 Property and equipment includes cost of Rs. 5,485 thousand (2023: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2023: Rs. 5,485 thousand) in respect of assets donated by the Government of Azad Jammu and Kashmir.

11.4 The total cost includes fixed assets of Rs. 149,739 thousand (2023: Rs. 148,561 thousand) having zero book value on which no depreciation was charged during the year.

11.5 Detail of disposals of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale proceeds
	-----Rupees in '000-----			
2024				
Vehicles	12,660	(12,660)	-	17,245
Furniture and fixture	469	(389)	80	102
Leasehold improvements	112	(112)	-	1
Total	13,241	(13,161)	80	17,348
2023				
Vehicles	4,908	(3,097)	1,811	2,044
	4,908	(3,097)	1,811	2,044

The vehicle was disposed to an Managing Director and Executive Personnel at 10% of the cost and at net book value of the vehicle respectively, as per the transport policy of the Bank.

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

	2024	2023
	-----Rupees in '000-----	
Buildings & Lease hold improvements	-	-
Furniture and fixtures	35,896	34,763
Office equipments	20,076	20,334
Computer equipments	37,871	35,546
Vehicles	24,537	28,368
Leasehold improvements	27,104	25,295
Building on Freehold land	4,255	4,255
Total	149,739	148,561

12 RIGHT-OF-USE ASSETS

	2024	2023
	-----Rupees in '000-----	
As at January 1,		
Cost	288,629	253,081
Accumulated depreciation	(148,020)	(107,189)
Net carrying amount at January 1 ,	140,609	145,892
Addition during the year	113,923	35,548
Deletion during the year	-	-
Depreciation charge during the year	(46,507)	(40,831)
Net carrying amount	208,025	140,609

13 INTANGIBLE ASSETS

Kashmir Council of Government of AJK ac quired and don ated Cor e Banking Information System (Helios) to the Bank under capacity building program.

14 DEFERRED TAX ASSETS

Taxable temporary differences on

-Accelerated tax depreciation

Deductible temporary differences on

- Credit loss allowance against receivable from Kashmir Council
- Provision against customer claims
- Deficit on revaluation of investments
- Lease liabilities against right of use assets
- Credit loss allowance against balances with Banks and placements
- Credit loss allowance against nonperforming advances

2024				
At January 1, 2024	Transitions Impact of IFRS-09	Recognised in P&L A/C	Recognised in OCI	At December 31, 2024
-----Rupees in '000-----				
(61,429)	-	(47,599)	-	(109,028)
-				
2,359		241	-	2,600
8,169		834	-	9,003
(868)		-	490	(378)
81,844		35,607	-	117,451
-	172,289	(26,022)	-	146,267
1,909	(4,185)	100,178	-	97,902
93,413	168,104	110,838	490	372,845
				-
31,984	168,104	63,239	490	263,817

Taxable temporary differences on

-Accelerated tax depreciation

Deductible temporary differences on

- Credit loss allowance against receivable from Kashmir Council
- Provision against customer claims
- Deficit on revaluation of investments
- Lease liabilities against right of use assets
- Credit loss allowance against nonperforming advances

2023			
At January 1, 2023	Recognised in P&L A/C	Recognised in OCI	At December 31, 2023
-----Rupees in '000-----			
(50,931)	(10,498)	-	(61,429)
2,070	289	-	2,359
10,472	(2,303)	-	8,169
17,975	-	(18,843)	(868)
69,336	12,508	-	81,844
679	1,230	-	1,909
100,532	11,724	(18,843)	93,413
49,601	1,226	(18,843)	31,984

15 OTHER ASSETS

Income/mark-up accrued in local currency

Advances, deposits, advance rent and other prepayments

Stationery and stamps in hand

Deferred benefit on staff loans

Others

Less: Credit loss allowance held against other assets

Other assets - net

Note	2024	2023
-----Rupees in '000-----		
15.1	235,138	126,445
	11,790	18,101
	12,240	11,396
	352,253	-
	13,699	7,016
	625,120	162,958
15.2	(4,815)	(4,815)
	620,305	158,143

- 15.1 This represents notional deferred cost recognised upon fair valuation of subsidised staff loans in accordance with the requirements of IFRS 9.

	Note	2024 -----Rupees in '000-----	2023
15.2 Credit loss allowance held against other assets			
Receivable from Kashmir Council	15.3	<u>4,815</u>	<u>4,815</u>
15.3 Movement In credit loss allowance held against other assets			
Opening balance		<u>4,815</u>	<u>4,815</u>
Closing balance		<u>4,815</u>	<u>4,815</u>
16 BILLS PAYABLE			
In Pakistan		<u>37,951</u>	<u>93,259</u>

17 DEPOSITS AND OTHER ACCOUNTS

	2024			2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
-----Rupees in '000-----						
Customers						
Remunerative						
- Savings deposits	16,089,158	-	16,089,158	13,132,002	-	13,132,002
- Term deposits	16,994,568	-	16,994,568	5,599,705	-	5,599,705
- Other deposits	143,140	-	143,140	101,127	-	101,127
Non-Remunerative						
- Current deposits	6,902,519	-	6,902,519	5,311,831	-	5,311,831
	<u>40,129,385</u>	-	<u>40,129,385</u>	<u>24,144,665</u>	-	<u>24,144,665</u>

	2024 -----Rupees in '000-----	2023
17.1 Composition of deposits		
- Individuals	15,629,115	13,183,705
- Government	24,195,706	10,725,976
- Private sector	304,564	234,984
	<u>40,129,385</u>	<u>24,144,665</u>

18 LEASE LIABILITIES

	2024 -----Rupees in '000-----	2023
Outstanding amount at the start of the year	167,028	162,026
Additions during the year	113,923	33,038
Lease payments including interest	(102,450)	(61,686)
Interest expense	39,000	33,650
Outstanding amount at the end of the year	<u>217,501</u>	<u>167,028</u>
Liabilities Outstanding		
Less than one year	63,332	50,079
One to five years	123,368	103,132
More than five years	30,801	13,817
Total undiscounted lease liabilities	<u>217,501</u>	<u>167,028</u>

- 18.1** The lease contracts are signed by the Bank for the premises of its branches. The terms of lease contracts range from 3 year to 11 years. The internal borrowing rates used for discounting of lease cashflows range from 8.48% to

19 OTHER LIABILITIES

	Note	2024 -----Rupees in '000-----	2023
Mark-up/ return/ interest payable in local currency	19.1	1,670,114	921,737
Accrued expenses		12,449	8,120
Income tax payable		887,427	275,328
Branch adjustment account		305,606	152,868
Provision for bonus to employees		36,4 00	62,927
Provision against customer claims		16,672	16,672
Leave encashment		115,715	109,434
Education		124,127	60,394
Others		95,205	116,334
		<u>3,263,715</u>	<u>1,723,814</u>

- 19.1 It includes an amount of Rs. 900,193 thousand (2023: Rs. 184, 847 thousand) on account of interest payable to related parties.

20 SHARE CAPITAL

20.1 Authorized capital

2024	2023		2024	2023
Number of shares				
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

20.2 Issued, subscribed and paid up share capital

2024	2023		2024	2023
Number of shares		Ordinary shares		
552,8 62,092	514,290,320	Fully paid in cash	5,528,621	5,142,903
42,846,775	38,571,772	Issued as bonus shares	428,468	385,718
<u>595,708,867</u>	<u>552,862,092</u>		<u>5,957,089</u>	<u>5,528,621</u>

- 20.3 The Government of Azad Jammu and Kashmir own 100% percent of ordinary shares of the Bank as on December 31, 20 24 (20 23: 100 %).

20.4 Reconciliation of number of ordinary shares

	Note	2024 Number of shares	2023	2024	2023
Shares at the beginning of the year		552,8 62,092	514,290,320	5,528,621	5,142,903
Bonus shares issued during the year	20.5	42,846,775	38,571,772	428,468	385,718
Shares issued against cash consideration		-	-	-	-
Shares at the year end		<u>595,708,867</u>	<u>552,862,092</u>	<u>5,957,089</u>	<u>5,528,621</u>

- 20.5 During the year the Ban k ha s issued 42, 84 6,775 (2023: 38,571,772) bonus shares amounting to Rs. 428,468 Million (2023: Rs. 385,718 Million) to its shareholders.

21 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.

22 SURPLUS/ (DEFICIT) ON REVALUATION OF FINANCIAL ASSETS AT FVOCI

	Note	2024 -----Rupees in '000-----	2023
Deficit on revaluation of:			
- Surplus / (deficit) on revaluation at FVOCI - Equity	9.1	699	1,771
Deferred tax on deficit on revaluation of:			
- Surplus / (deficit) on revaluation of FVOCI - Equity		(378)	(868)
		<u>321</u>	<u>903</u>

23 CONTINGENCIES AND COMMITMENTS

Guarantees	23.1	230,923	87,674
Commitments	23.2	208,277	182,307
Bills for collection	23.3	27,597	5,580
		<u>466,797</u>	<u>275,561</u>

23.1 Guarantees

Financial guarantees		<u>230,923</u>	<u>87,674</u>
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23.2 Commitments

Loan sanctioned but not disbursed		12,308	5,814
Unavailed running finance		195,969	176,493
		<u>208,277</u>	<u>182,307</u>

23.3 Bills for collection

23.3.1	<u>27,597</u>	<u>5,580</u>
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23.3.1 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.

24 MARK-UP/ RETURN/ INTEREST EARNED

	Note	2024 -----Rupees in '000-----	2023
Loans and advances	24.2	776,537	594,554
Investments		974,878	-
Balances with banks		5,738,099	4,214,940
		<u>7,489,514</u>	<u>4,809,494</u>

24.1 Interest income (calculated using effective Interest rate method) recognised on:

Financial assets measured at amortised cost;		<u>7,281,649</u>	-
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24.2 This includes an amount of Rs. 8,863 thousands (2023: Rs.5,364 thousands) on account of interest earned on advances given to related parties.

25 MARK-UP/ RETURN/ INTEREST EXPENSED

	Note	2024 -----Rupees in '000-----	2023
Deposits	25.1	4,172,124	2,551,783
Liabilities against assets subject to finance lease		39,000	33,650
		<u>4,211,124</u>	<u>2,585,433</u>

25.1 This includes an amount of Rs. 611,786 thousand (2023: Rs. 396,719 thousand) on account of interest expense on related party deposits.

26 FEE AND COMMISSION INCOME

Branch banking customer fees	
Commission on cheque books	
Credit related fees	
Commission on guarantees	
Commission on remittances including home remittances	
Commission on utility bills	
Postage	
Others	

2024	2023
-----Rupees in '000-----	
3,129	3,070
12,175	10,049
15,140	7,739
2,128	1,571
2,871	2,789
4,804	5,871
936	809
1,108	267
42,291	32,165

27 OTHER INCOME

Gain on sale of property and equipment - net	
Site visits and fee collection charges	
Recovery against advances written off	
Dormant account maintenance charges	
Blanket Insurance	
Others	

Note	2024	2023
	-----Rupees in '000-----	
	17,245	-
	8,025	5,763
	5,865	2,856
	60,975	-
	3,955	3,579
	26	1,845
	96,091	14,043

28 OPERATING EXPENSES

Total compensation expense

28.1	874,609	690,935
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Property expense

Rent & taxes	
Insurance	
Utilities cost	
Security (including guards)	
Repair & maintenance (including janitorial charges)	
Depreciation on right of use asset	
Depreciation	

-	-
-	-
37,952	40,339
81,217	57,963
28,062	24,064
46,507	40,831
14,637	10,728
208,375	173,925

Information technology expenses

Software maintenance	
Hardware maintenance	
Depreciation	
Network charges	

26,596	21,610
9,612	5,742
20,196	11,465
18,792	14,585
75,196	53,402

Other operating expenses

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

15,740	7,296
11,191	18,219
58,806	32,060
24,260	19,998
32,139	26,335
5,062	2,739
6,051	4,812
5,768	5,073
32,239	27,149
15,521	7,030
3,080	2,934
114,141	57,569
44,354	39,441
368,352	250,655
1,526,532	1,168,917

28.1 Total compensation expense

	2024	2023
	-----Rupees in '000-----	
Fees and allowances etc.	359,722	306,490
Managerial remuneration		
i) Fixed	10,058	-
ii) Variable - cash bonus	106,329	62,578
Contribution to defined contribution plan	14,708	12,077
Contribution to defined gratuity fund	47,095	26,630
Deferred benefit on staff loans	47,838	-
Rent & house maintenance	97,128	88,202
Utilities	21,632	19,438
Medical	21,636	22,482
Conveyance	148,463	153,038
	<u>874,609</u>	<u>690,935</u>

28.2 Auditors' remuneration

	Note	2024	2023
		-----Rupees in '000-----	
Audit fee		2,800	2,210
Out-of-pocket expenses		280	724
		<u>3,080</u>	<u>2,934</u>

29 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

Credit loss allowance against loans & advances	(34,211)	-
Written off/ charged off bad debts during the year	129	505
	<u>(34,082)</u>	<u>505</u>

30 TAXATION

Current	1,114,930	574,984
Deferred	(63,239)	(1,226)
	<u>1,051,691</u>	<u>573,758</u>

30.1 Relationship between tax expense and accounting profit

	2024		2023
	% Rupees in '000	% Rupees in '000	
Profit before taxation	1,934,896		1,111,238
Applicable tax rate/expense	44% 851,354	39% 433,383	
Super tax	10% 193,490	10% 111,124	
Expense not allowed	1% 10,111	3% 29,251	
Impact of tax rate change	0% (3,264)	0% -	
Actual tax rate/expense	54% 1,051,691	52% 573,758	
Total tax charge as per financial statements	<u>1,051,691</u>		<u>573,758</u>

31 BASIC / DILUTED EARNINGS PER SHARE

	2024	2023
	-----Rupees in '000-----	
Profit for the year	883,205	537,480
Weighted average number of ordinary shares (Number)	595,708,867	553,543,731
Basic and diluted earnings per share (Rupees)	<u>1.48</u>	<u>0.97</u>

32 CASH AND CASH EQUIVALENTS

	Note	2024	2023
Cash and balance with treasury banks		6,402,309	918,340
Balance with other banks		5,668,780	6,785,214
	32.1	<u>12,071,089</u>	<u>7,703,554</u>

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

33 STAFF STRENGTH

Permanent
On bank contract
Bank's own staff strength at the end of the year
Outsourced Staff (other than guarding and janitorial services)
Total staff strength at the end of the year

2024	2023
-----Number-----	
468	419
69	90
537	509
73	153
610	662

34 DEFINED CONTRIBUTION PLANS

34.1 General description

General description of the type of defined contribution plans and policy is disclosed in note 5.10 to these financial statements.

34.2 Gratuity

The Bank contributed Rs. 47,095 thousand (2023: Rs. 26,630 thousand) for 468 (2023: 419) of its permanent employees during the year towards employees gratuity fund.

34.3 Provident fund

The Bank contributed Rs. 14,708 thousand (2023: 12,077 thousand) in respect of 468 (2023: 419) 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.

35 LEAVE ENCAHMENT

General description of the type of defined contribution plans and policy is disclosed in note 5.10 to these financial statements.

36 TOTAL COMPENSATION EXPENSE

Item	2024			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	-----Rupees in '000-----			
Fees and Allowances etc.	-	-	4,500	26,604
Managerial Remuneration				
i) Fixed	-	-	-	-
ii) Variable (bonus)	-	-	817	4,631
Contribution to defined contribution provident fund	-	-	272	1,419
Contribution to defined contribution gratuity fund	-	-	299	1,718
Rent & house maintenance	-	-	2,025	11,972
Utilities	-	-	450	2,336
Medical	-	-	450	2,660
Conveyance	-	-	-	1,347
Vehicle	-	-	-	1,980
Boarding & lodging	-	-	-	-
Fuel expense	-	-	1,192	9,233
Others (mobile charges, TA & DA)	900	14,840	2,993	4,755
Total	900	14,840	12,998	68,655
Number of Persons	1	9	1	13

Item	2023			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	-----Rupees in '000-----			
Fees and Allowances etc.	-	-	8,020	23,357
Managerial Remuneration				
i) Fixed	-	-	-	-
ii) Variable (bonus)	-	-	2,005	5,122
Contribution to defined contribution provident fund	-	-	-	-
Contribution to defined contribution gratuity fund	-	-	608	1,471
Rent & house maintenance	-	-	2,137	10,511
Utilities	-	-	366	2,336
Medical	-	-	922	2,336
Conveyance	-	-	1,308	3,540
Vehicle	-	-	-	1,487
Boarding & lodging	-	-	-	175
Fuel expense	-	-	-	13,552
Others (mobile charges, TA & DA)	450	6,671	739	3,882
Total	450	6,671	16,105	67,769
Number of Persons	1	9	1	13

36.1 Remuneration paid to directors for participation In Board and Committee meetings

2024							
Meeting fees and allowances paid							
Name of director	For Board Meetings	For board committees					Total amount paid
		Board HR committee	Risk Management Committee	Board audit committee	Board IT committee	Special committee	
-----Rupees in '000'-----							
1	Mr. Abdul Majid Khan	900					900
2	Mr. Islam Zaib	750	300	-	600	300	2,050
3	Mr. Muhammad Sajjid	850	-	200	650	100	2,000
4	Mr. Khalid Mehmood Mirza (Secretary Industries)	800		-	100	300	1,250
5	Ms. Bushra Naz Malik	900	-	200	750		1,950
6	Mr. Mubashar Nabi	700	300	200		200	1,600
7	Mr. Zulfiqar Abbasi	700	100		650		1,600
Total amount paid		5,600	700	600	2,750	900	11,350

2023

Meeting fees and allowances paid

Name of director		For Board Meetings	For board committees					Total amount paid
			Board HR committee	Risk Management Committee	Board audit committee	Board IT committee	Special committee	
-----Rupees in '000'-----								
1	Mr. Abdul Majid Khan	250	-	-	-	-	-	250
2	Mr. Muhammad Usman Chachar	200	-	-	-	-	-	200
3	Tahir Mehmood Qureshi	150	-	-	-	-	-	150
4	Mr. Asmatullah Shah	300	150	-	200	100	100	850
5	Mr. Dawood Muhammad Bareach	50	-	-	-	-	-	50
6	Mr. Mubashar Nabi	500	200	150	-	150	400	1,400
7	Mrs. Bushra Naz Malik	300	-	150	250	-	-	700
8	Mr.Zuilfiqar Abbasi	500	50	-	250	-	300	1,100
9	Mr. Zahid Zaman	50	-	-	50	-	50	150
10	Dr.Muhammad Idress Abbasi	50	-	-	-	-	50	100
11	Mr Irshad Qureshi	400	250	150	-	50	350	1,200
12	Mr.Wajahat Rasheed Baig	350	-	-	-	150	50	550
13	Syed Haider Abbas	50	-	-	-	-	50	100
Total amount paid		3,150	650	450	750	450	1,350	6,800

- 37 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.

37.1 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.

	2024			
	Level 1	Level 2	Level 3	Total
	Rupees in '000'			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities note - 37.2	-	18,321,499	-	18,321,499
Mutual funds note - 37.3	55,699	-	-	55,699
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	8,035,204
Balances with other banks	-	-	-	18,566,193
Advances	-	-	-	4,420,339
Other assets	-	-	-	608,065

	2023			
	Level 1	Level 2	Level 3	Total
	Rupees in '000'			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual funds	56,771	-	-	56,771
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	9,047,433
Balances with other banks	-	-	-	18,968,670
Advances	-	-	-	3,874,147
Other assets	-	-	-	146,747

37.2 The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP)

37.3 The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.

38 SEGMENT INFORMATION

38.1 Segment details with respect to Business Activities

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

	2023				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000'				
Profit and loss					
Net mark-up/return/profit	632,648	2,645,742	-	-	3,278,390
Non mark-up/return/interest income	6,387	17,891	58,471	66,207	148,956
Total income	639,035	2,663,633	58,471	66,207	3,427,346
Segment direct expenses	(120,244)	(1,381,065)	(11,829)	(13,394)	(1,526,532)
Credit loss allowance (charged) / reversal	34,082	-	-	-	34,082
Profit before tax	552,873	1,282,568	46,642	52,813	1,934,896

Statement of financial position	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000'				
Cash & bank balances	-	26,601,397	-	-	26,601,397
Investments	-	18,377,198	-	-	18,377,198
Advances - performing	3,557,472	833,264	-	-	4,390,736
- non-performing	115,974	85,394	-	-	201,368
- credit loss allowance	(104,033)	(67,732)	-	-	(171,765)
Property and equipment	25,838	296,766	2,542	2,878	328,024
Right of use asset	16,386	188,202	1,612	1,825	208,025
Deferred tax asset	20,781	238,677	2,044	2,315	263,817
Others	215,920	398,020	2,985	3,380	620,305
Total assets	3,848,338	46,951,186	9,183	10,398	50,819,105
Bills payable	-	37,951	-	-	37,951
Deposits and other accounts	-	40,129,385	-	-	40,129,385
Lease liability against right of use asset	17,132	196,775	1,686	1,908	217,501
Others	104,016	2,853,685	305,798	217	3,263,716
Total liabilities	121,148	43,217,796	307,484	2,125	43,648,553
Equity	3,727,190	3,733,390	(298,301)	8,273	7,170,552
Total equity and liabilities	3,848,338	46,951,186	9,183	10,398	50,819,105
Contingencies and commitments	68,731	139,546	27,597	230,923	466,797

	2023				
Profit and loss	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000'				
Net mark-up/return/profit	475,060	1,749,001	-	-	2,224,061
Non mark-up/return/interest income	2,947	23,035	26,550	6,016	58,548
Total income	478,007	1,772,036	26,550	6,016	2,282,609
Segment direct expenses	(114,779)	(1,046,318)	(6,375)	(1,445)	(1,168,917)
Provisions charged/(reversal)	1,534	(1,450)	-	-	83
Profit before tax	364,762	724,268	20,175	4,571	1,113,775

Statement of financial position	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000'				
Cash & bank balances	-	24,750,880	-	-	24,750,880
Investments	-	56,771	-	-	56,771
Advances - performing	3,224,400	726,959	-	-	3,951,359
Advances - non-performing	48,390	88,124	-	-	136,514
Advances - provision	(127,656)	(86,069)	-	-	(213,725)
Operating fixed assets	41,511	378,409	2,306	522	422,748
Deferred tax asset	3,141	28,629	174	40	31,984
Others	2,718,515	704,639	173	39	3,423,366
Total assets	5,908,300	26,648,342	2,653	601	32,559,896
Bills payable	-	93,259	-	-	93,259
Deposits and other accounts	-	24,144,665	-	-	24,144,665
Lease liability against right of use asset	16,401	149,510	911	206	167,028
Others	117,785	1,453,096	152,921	12	1,723,814
Total liabilities	134,206	25,840,510	153,832	218	26,128,766
Equity	5,774,094	807,832	(151,179)	383	6,431,130
Total equity and liabilities	5,908,300	26,648,342	2,653	601	32,559,896
Contingencies and commitments	23,153	29,331	5,580	87,674	145,738

39 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

40 RELATED PARTY TRANSACTIONS

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

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

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

2024					2023			
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	-	-	163,138	-	-	105,283		
Addition during the year	-	-	124,685	-	-	57,855		
Repaid during the year	-	-	(23,001)	-	-	-		
Closing balance	-	-	264,822	-	-	163,138		
Deposits and other accounts								
Opening balance	10,725,976	-	3,239	9,578,386	-	3,239		
Received during the year	13,915,730	-	6,564	2,455,560	-	-		
Withdrawal during the year	(446,000)	-	(4,665)	(1,307,970)	-	-		
Closing balance	24,195,706	-	5,138	10,725,976	-	3,239		
Other Liabilities								
Interest / mark-up payable	19.1	900 193	-	-	184,847	-	-	
Transactions during the year								
Income								
Mark-up / return / interest earned	24.2	-	-	8,863	-	-	5,364	
		-	-	8,863	-	-	5,364	
Expense								
Mark-up / return / interest paid	25.1	611,738	-	48	396,656	-	63	
Operating expenses	36	-	14,840	81,653	-	6,671	83,873	
		611,738	14,840	81,701	396,656	6,671	83,936	

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2024	2023
	-----Rupees in '000-----	
Minimum capital requirement (MCR)		
Paid-up capital (net of losses)	<u>10,000,000</u>	<u>10,000,000</u>
	<u>5,957,089</u>	<u>5,528,621</u>
Capital adequacy ratio (CAR)		
Eligible common equity tier 1 (CET 1) capital	<u>6,940,975</u>	<u>6,401,441</u>
Eligible additional tier 1 (ADT 1) capital	<u>-</u>	<u>-</u>
Total regulatory adjustment applied to CET1	<u>-</u>	<u>-</u>
Total eligible Tier 1 capital	<u>6,940,975</u>	<u>6,401,441</u>
Eligible tier 2 capital	<u>889</u>	<u>87,845</u>
Total eligible capital (Tier 1 + Tier 2)	<u>6,941,864</u>	<u>6,489,286</u>
 Risk weighted assets (RWAs):		
Credit risk	<u>9,248,809</u>	<u>12,038,043</u>
Market risk	<u>139,248</u>	<u>141,928</u>
Operational risk	<u>4,198,769</u>	<u>3,195,893</u>
Total	<u>13,586,826</u>	<u>15,375,864</u>
 Common equity tier 1 capital adequacy ratio	<u>51.09%</u>	<u>41.63%</u>
Tier 1 capital adequacy ratio	<u>51.09%</u>	<u>41.63%</u>
Total capital adequacy ratio	<u>51.09%</u>	<u>42.20%</u>
 Leverage ratio (LR)		
Eligible tier-1 capital	<u>6,940,975</u>	<u>6,401,441</u>
Total exposures	<u>32,964,403</u>	<u>32,853,457</u>
Leverage ratio	<u>21%</u>	<u>19%</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, 2023 stood at Rs.5,957 million (2023: Rs.5, 529 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.

The bank is using transitional provisions as provided in IFRS 9 application instructions through BPRD Circular No. 03 of 2022 dated July 05, 2022 for absorption of impact of expected credit loss allowance after implementation of IFRS 9.

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, 2024.

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.

Liquidity coverage ratio (LCR)	<u>26,601,397</u>	<u>24,750,880</u>
Total high quality liquid assets	<u>25,988,733</u>	<u>12,098,286</u>
Total net cash outflow	<u>102%</u>	<u>205%</u>
Liquidity coverage ratio		
 Net stable funding ratio (NSFR)		
Total available stable funding	<u>21,281,286</u>	<u>18,478,261</u>
Total required stable funding	<u>14,909,832</u>	<u>15,767,680</u>
Net stable funding ratio	<u>152%</u>	<u>117%</u>

42 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.

42.1 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.

42.1.1 Investment In debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Credit loss allowance held			
	2024	2023	2024	2023	Stage 1	Stage 2	Stage 3	Stage 4
	Rupees in '000'							
Federal Government bonds	18,321,499	-	-	-	18,321,499	-	-	18,321,499
Construction - TFC	49,940	49,940	(49,940)	(49,940)	-	-	49,940	49,940
	18,371,439	49,940	(49,940)	(49,940)	18,321,499	-	49,940	18,371,439

Credit risk by public/private sector

Public	18,321,499	-	-	-	18,321,499	-	-	18,321,499
Private	49,940	49,940	(49,940)	(49,940)	-	-	49,940	49,940
	18,371,439	49,940	(49,940)	(49,940)	18,321,499	-	49,940	18,371,439

42.1.2 Advances

Credit risk by industry sector

	Gross investments		Non-performing investments		Credit loss allowance held			
	2024	2023	2024	2023	Stage 1	Stage 2	Stage 3	Stage 4
	Rupees in '000'							
Agriculture, Forestry, Hunting & Fishing	15,445	18,569	3,977	27,891	1	106	316	423
Wholesale and Retail Trade	765,310	721,011	90,004	2,873	13	5	80,908	80,926
Individuals	3,727,629	3,267,119	78,204	24,780	52	4,199	59,203	63,450
Others	83,720	81,174	29,183	80,972	3	1,304	25,659	26,966
	4,592,104	4,087,873	201,368	136,516	69	5,614	166,086	171,765

Credit risk by public/private sector

Public/Government	-	-	-	-	-	-	-	-
Private	4,592,104	4,087,873	201,368	134,644	69	5,614	166,086	171,765
	4,592,104	4,087,873	201,368	134,644	69	5,614	166,086	171,765

42.1.3 Contingencies and Commitments

Credit risk by Industry sector

	2024	2023
	-----Rupees in '000-----	
Wholesale and Retail Trade	195,969	176,493
Individuals	39,905	11,394
Others	87,674	87,674
	323,548	275,561

	2024	2023
	-----Rupees in '000-----	
Credit risk by public/private sector	87,674	87,674
Public/Government	235,874	187,887
Private	323,548	275,561

42.1.4 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 338,877 thousand (2023: Rs. 314,668 thousand) are as following:

Funded	251,202	226,994
Non funded	87,674	87,674
Total exposure	323,548	314,668

The sanctioned limits against these top 10 exposures aggregated to Rs 261,134 thousand (2023: Rs. 327,811 thousand)

Total funded classified therein

	Amount	2024 Provision held
OAEM	-	-
Substandard	-	-
Doubtful	-	-
Loss	153,485	152,565
Total	153,485	152,565

42.1.5 Advances - Province/Region-wise Disbursement & Utilization

Total amount of disbursement and utilization is in Azad Jammu and Kashmir of Rs. 2,689,627 thousands (2023: 2,143,327 thousands)

42.2 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.

42.2.1 Balance sheet split by trading and banking books 2024

	2024			2023		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	-----Rupees in '000-----					
Cash and balances with treasury banks	8,035,204	-	8,035,204	8,218,340	-	8,218,340
Balances with other banks	18,566,193	-	18,566,193	16,532,540	-	16,532,540
Investments	-	18,377,198	18,377,198	-	56,771	56,771
Advances	4,420,339	-	4,420,339	3,874,147	-	3,874,147
Property and equipment	328,024	-	328,024	282,139	-	282,139
Right of use assets	208,025	-	208,025	140,609	-	140,609
Deferred tax assets	263,817	-	263,817	31,984	-	31,984
Other assets	620,305	-	620,305	3,423,366	-	3,423,366
	32,441,907	18,377,198	50,819,105	32,503,125	56,771	32,559,896

42.2.2 Foreign exchange risk

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

42.2.3 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.

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
-----Rupees in '000-----				
Impact of 5% change in equity prices on				
- Other comprehensive income	-	<u>2,785</u>	-	<u>2,839</u>

42.2.4 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 nonmaturity 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)

	2024		2023	
	Banking book	Trading book	Banking book	Trading book
-----Rupees in '000-----				
Impact of 1 % change in interest rates on				
- Profit and loss account	<u>(191,557)</u>	-	<u>(151,753)</u>	-

42.2.5 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	2024										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			
On-balance sheet financial instruments														
Rupees in '000														
Assets														
Cash and balances with treasury banks	25.21%	8,035,204	830,589	5,132,488	457,281	1,043,126	-	-	-	-	-	-	-	571,720
Balances with other banks	6.89%	18,566,193	2,728,829	3,610,309	2,772,955	6,714,209	-	-	1,022,678	1,643,232	-	-	-	73,980
Investments	0.06%	18,377,198	-	-	-	-	-	-	-	-	-	-	-	18,377,198
Advances	17.57%	4,420,339	428,850	344,265	436,459	1,144,461	586,766	502,716	693,651	337,171	-	-	-	-
Other assets		235,138	-	-	-	-	-	-	-	-	-	-	-	235,138
		49,634,072	3,988,268	9,087,062	3,666,695	8,901,796	586,766	502,716	1,662,329	1,980,403	-	-	-	19,258,036
Liabilities														
Bills payable		37,951	-	-	-	-	-	-	-	-	-	-	-	37,951
Deposits and other accounts	10.40%	40,129,385	4,111,937	4,255,937	4,119,437	20,515,490	13,800	20,550	115,734	-	-	-	-	6,976,500
Liability against right of use asset		217,501	2,543	4,736	7,255	13,761	26,490	25,595	43,298	93,823	-	-	-	-
Other liabilities		1,975,477	-	-	-	-	-	-	-	-	-	-	-	1,975,477
		42,360,314	4,114,480	4,260,673	4,126,692	20,529,251	40,290	46,145	159,023	93,823	-	-	-	8,989,928
On-balance sheet gap		7,273,758	(126,212)	4,826,389	(459,997)	(11,627,455)	546,476	456,571	1,503,297	1,886,580	-	-	-	10,268,108
Off-balance sheet financial instruments														
Commitments to extend credit		208,277	208,277	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		208,277	208,277	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(334,489)	4,826,389	(459,997)	(11,627,455)	545,476	456,571	1,503,297	1,886,580	-	-	-	10,268,108
Cumulative Yield/Interest Risk Sensitivity Gap			(334,489)	4,491,900	4,031,904	(7,595,551)	(7,049,075)	(6,592,504)	(5,089,208)	(3,202,627)	(3,202,627)	(3,202,627)	(3,202,627)	10,268,108

On-balance sheet financial instruments	Effective Yield/ Interest rate	Total	2023										Non-interest bearing financial instruments
			Exposed to Yield/ Interest risk										
			Rupees in '000										
			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		
Assets													
Cash and balances with treasury banks	18.01 %	8,218,340	35,586	200,000	4,000,000	3,300,000	-	-	-	-	-	682,754	
Balances with other banks	6.89 %	16,532,540	2,234,947	2,575,000	1,120,000	7,942,273	290,000	-	-	1,700,000	-	670,320	
Investments	21.74 %	56,771	-	-	-	-	-	-	-	-	-	56,771	
Advances	15.35 %	3,874,147	213,895	273,277	378,477	534,256	404,301	1,046,090	671,393	352,459	-	-	
Other assets		3,391,668	-	-	-	-	-	-	-	-	-	3,391,668	
		32,073,466	2,484,428	3,048,277	5,498,476	11,776,529	694,301	1,046,090	671,393	2,052,459	-	4,801,513	
Liabilities													
Bills payable	-	93,259	-	-	-	-	-	-	-	-	-	93,259	
Deposits and other accounts	10.57 %	24,144,665	4,037,641	4,402,641	4,045,141	8,793,039	15,200	20,045	149,662	-	-	2,681,296	
Liability against right of use asset		167,028	2,543	4,736	7,255	13,761	26,490	25,595	43,298	43,350	-	-	
Other liabilities		1,179,284	-	-	-	-	-	-	-	-	-	1,179,284	
		25,584,236	4,040,184	4,407,377	4,052,396	8,806,800	41,690	45,640	192,960	43,350	-	3,953,839	
On-balance sheet gap		6,489,230	(1,555,756)	(1,359,100)	1,446,080	2,969,729	652,611	1,000,450	478,433	2,009,109	-	847,674	
Off-balance sheet financial instruments													
Commitments to extend credit		182,307	182,307	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap		182,307	182,307	-	-	-	-	-	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap			(1,738,063)	(1,359,100)	1,446,081	2,969,729	652,611	1,000,450	478,433	2,009,109	-	847,674	
Cumulative Yield/Interest Risk Sensitivity Gap			(1,738,063)	(3,097,163)	(1,651,082)	1,318,647	1,971,258	2,971,708	3,450,141	5,459,249	5,459,249	847,674	

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

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

Reconciliation of total assets	2024		2023	
	Rupees in '000		Rupees in '000	
Total financial assets	49,634,072	32,073,466	42,360,314	25,584,236
Add: Non financial assets				
Operating fixed assets	328,024	282,139	1,288,238	544,530
Right of use asset	208,025	140,609	-	-
Other assets	385,167	31,698	1,288,238	544,530
Deferred tax asset	263,817	31,984	43,648,552	26,128,766
	1,185,033	486,430		
Balance as per statement of financial position	50,819,105	32,559,896		

Reconciliation of total liabilities

Total financial liabilities	42,360,314	25,584,236
Add: Non financial liabilities		
Other Liabilities	1,288,238	544,530
Deferred govt. grant	-	-
Balance as per statement of financial position	43,648,552	26,128,766

42.3 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.

42.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses the Standardized Approach (TSA) to calculate its operational risk capital, allocating capital across Retail Banking, Commercial Banking, Payment and settlement, and Agency Services segments, based on gross income and regulatory beta factors. An operational risk management framework approved by the Board of Directors, governs the identification, classification, and analysis of Operational Risk Events (OREs). OREs are promptly reported, categorized by segment and event type, and analyzed, including Root Cause Reviews where needed, to implement corrective actions and enhance controls. Ongoing monitoring ensures control effectiveness, and the framework is regularly reviewed for continuous improvement.

42.4 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

42.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank 2024

		Upto 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	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
		Rupees in '000												
Assets		Total												
Cash and balances with treasury banks	8,035,204	45,236	316,652	316,652	723,783	2,500,000	2,500,000	-	500,000	500,000	-	-	-	-
Balances with other banks	18,566,193	37,386	261,704	261,704	598,179	1,535,000	1,535,000	2,530,000	3,188,007	3,188,018	-	-	-	1,200,000
Investments	18,377,198	-	-	-	-	-	-	-	9,188,599	9,188,599	-	-	-	-
Advances	4,420,339	10,588	74,116	74,116	169,393	172,132	172,132	436,459	572,230	572,230	586,766	502,716	639,654	531,114
Property and equipment	328,024	690	4,830	4,830	11,054	3,744	3,744	11,232	11,232	11,232	44,924	44,924	106,503	69,085
Right of use assets	208,025	76	532	532	1,216	2,343	2,343	7,029	7,029	7,029	28,122	28,122	56,249	67,403
Deferred tax assets	263,817	555	3,885	3,885	8,890	3,011	3,011	9,033	9,033	9,033	36,131	36,131	85,656	55,561
Other assets	620,305	18,474	129,318	129,318	295,591	336,398	336,398	700,236	190,656	190,656	-	-	522,678	81,195
	50,819,105	113,005	791,037	791,037	1,808,106	4,552,628	4,552,628	3,693,989	13,666,786	13,666,797	695,943	611,893	1,410,740	2,004,358
Liabilities														
Bills payable	37,951	-	-	-	-	18,976	18,975	-	-	-	-	-	-	-
Deposits and other accounts	40,129,385	188,904	1,322,328	1,322,328	3,022,464	3,000,032	3,000,032	5,863,562	11,129,809	11,129,823	13,800	20,550	115,768	-
Liability against right of use asset	217,501	82	574	574	1,312	2,368	2,368	7,255	6,881	6,881	26,490	25,595	43,298	93,823
Other liabilities	3,263,715	16,447	115,129	115,129	263,157	1,148,747	1,148,742	135,655	96,628	96,625	349	638	10,754	115,715
	43,648,552	205,433	1,438,031	1,438,031	3,286,933	4,170,123	4,170,117	6,006,472	11,233,318	11,233,329	40,639	46,783	169,812	209,538
Net assets	7,170,553	(92,428)	(646,994)	(646,994)	(1,478,827)	382,505	382,511	(2,312,483)	2,433,468	2,433,468	655,304	565,110	1,240,928	1,794,820
Share capital	5,957,089													
Reserves	644,787													
Unappropriated profit	568,356													
Surplus on revaluation of assets	321													
	7,170,553													

2023

[illegible]

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

2024

	Total	Rupees in '000								
		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
Assets										
Cash and balances with treasury banks	8,035,204	1,402,309	5,132,488	457,281	1,043,126	-	-	-	-	-
Balances with other banks	18,566,193	2,802,809	3,610,309	2,772,955	6,714,209	-	-	1,022,678	1,643,232	-
Investments	18,377,198	-	-	-	18,377,198	-	-	-	-	-
Advances	4,420,339	428,850	344,265	436,459	1,144,461	586,766	502,716	639,651	337,171	-
Property and equipment	328,024	21,397	7,488	11,232	22,464	44,924	44,924	106,510	-	69,085
Right of use assets	208,025	2,343	4,686	7,029	14,058	28,122	28,122	56,249	67,416	-
Deferred tax assets	263,817	17,209	6,021	9,033	18,067	36,131	36,131	85,662	-	55,563
Other assets	620,305	268,052	-	-	-	-	-	-	54,830	297,423
	50,819,105	4,942,969	9,105,257	3,693,989	27,333,583	695,943	611,893	1,910,750	2,102,649	422,071
Liabilities										
Bills payable	37,951	-	37,951	-	-	-	-	-	-	-
Deposits and other accounts	40,129,385	5,856,062	6,000,062	5,863,562	22,259,615	13,800	20,550	115,734	-	-
Liability against right of use asset	217,501	2,543	4,736	7,255	13,761	26,490	25,595	43,298	93,823	-
Other liabilities	3,263,715	509,860	2,297,489	135,655	193,255	349	638	10,754	-	115,715
	43,648,552	6,368,465	8,340,238	6,006,472	22,466,631	40,639	46,783	169,786	93,823	115,715
Net assets	7,170,553 (1,425,496)	767,019	(2,312,483)	4,866,952	655,304	565,110	1,740,964	2,008,826	306,356	
Share capital	5,957,089									
Reserves	644,787									
Unappropriated profit	321									
Surplus on revaluation of assets	568,356									
	7,170,553									
										2023

	2023									
	Total	Upto 1	Over 1 to 3	Over 3 to 6	Over 6	Over 1 to 2	Over 2 to 3	Over 3 to 5	Over 5 to 10	Above 10
		Month	Months	Months	Months	Months to 1 Year	Years	Years	Years	Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	8,218,340	718,340	200,000	400,000	3,300,000	-	-	-	-	-
Balances with other banks	16,532,540	2,905,267	2,575,000	1,120,000	7,942,273	290,000	-	-	1,700,000	-
Investments	56,771	-	-	-	56,771	-	-	-	-	-
Advances	3,874,147	213,895	273,277	378,477	534,256	404,301	1,046,090	671,393	352,458	-
Property and equipment	282,139	4,032	6,330	9,495	18,990	37,976	37,976	98,255	-	69,085
Property and equipment	140,609	2,343	4,686	7,029	14,058	28,122	28,122	56,249	-	-
Deferred tax assets	31,984	482	833	1,250	2,500	5,001	5,001	11,689	-	5,228
Other assets	3,423,366	270,076	51,484	409,664	470,833	531,603	-	-	1,689,706	-
	32,559,896	4,114,435	3,111,610	5,925,915	12,339,681	1,297,003	1,117,189	837,586	3,742,164	74,313
Liabilities										
Bills payable	93,259	-	93,259	-	-	-	-	-	-	-
Deposits and other accounts	24,144,665	4,707,965	5,072,965	4,715,465	9,463,363	15,200	20,045	149,662	-	-
Lease liability against right of use asset	167,028	2,543	4,736	7,255	13,761	26,490	25,595	43,298	43,350	-
Other liabilities	1,723,814	415,425	747,943	190,836	248,435	349	638	10,754	-	109,434
	26,128,766	5,125,933	5,918,903	4,913,556	9,725,559	42,039	46,278	203,714	43,350	109,434
Net assets	6,431,130	(1,011,498)	(2,807,293)	1,012,359	2,614,122	1,254,964	1,070,911	633,872	3,698,814	(35,121)
Share capital	5,528,621									
Reserves	468,146									
Surplus on revaluation of assets	903									
Unappropriated profit	433,460									
	6,431,130									

43 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.

44 GENERAL

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

44.2 The following figures have been rearranged / reclassified in current period mainly due to the revised format for the financial statement issued by SBP.

STATEMENT OF FINANCIAL POSITION

From ASSETS	To ASSETS	Rupees in '000'
Other Assets (Accrued Markup)	Cash and balances with treasury banks	632,895
	Balances with other banks	2,562,256
	Advances	100,610
Operating Fixed Assets	Property and equipment	328,024
	Right of use asset	208,025

STATEMENT OF PROFIT AND LOSS ACCOUNT

Other income	Loss on sale of securities	-
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4 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Bank on April 28,2025

Sd/-
President and CEO

Sd/-
Chief Financial Officer

Sd/-
Director

Sd/-
Director

Sd/-
Director

MANAGEMENT

President's Secretariat

Shahid Shahzad Mir

President/CEO

ceo@bankajk.com

Saqib Javed

PSO

Ph: 05822-921364,66

Cell: 0312-9004638

pso@bankajk.com

Financial Control Division

cfo@bankajk.com

Liaqat Ali Khan

Senior Manager

Ph: 05822-921379

Cell: 0345-9596268

finance@bankajk.com

Commercial & Retail Banking Division

Raja Ghulam Mustafa

Divisional Head

Ph: 05822-923264

Cell: 0346-9374926

dh_crb@bankajk.com

Operations Division

Ahtasham Malik

Divisional Head

Ph: 05822-920732

Cell: 0300-5163732

dh_operations@bankajk.com

Masood Ilyas Khan

General Manager Establishment

Ph: 05822-923005

Cell: 0300-5352777

gm.est@bankajk.com

Raja Mumtaz Khan

Senior Manager Operations

Ph: 05822-920682

Cell: 0345-4896530

gm_ops@bankajk.com

Corporate Communication & Public Relations

Ghulamullah Kiyani

CC&PRO

Cell: 0300-9568439

media.pro@bankajk.com

Human Resource

Management Division

Rahila Javed

Divisional Head

Ph: 05822-920530

Cell: 0300-8556601

dh_hrd@bankajk.com

Asad Qadeer

Senior Manager

Ph: 05822-920778

Cell: 0345-7350067

sm_hrd@bankajk.com

Treasury Management Division

Syed Tashfeen Gilani

Divisional Head

Ph: 05822-921644

Cell: 0300-5152903

tashfeen.gilani@bankajk.com

Credit Management Division

Muhammad Imtiaz Shaheen

Divisional Head

Ph: 05822-923025

Cell: 0300-9117944

dh_credit@bankajk.com

Adil Bilal

Senior Manager

Ph: 05822-923223

Cell: 0345-5584114

adil.bilal@bankajk.com

Risk Management Division

Amjad Mehmood Gilani

Divisional Head

Ph: 05822-920545

Cell: 0300-5226703

dh_rmd@bankajk.com

Muhammad Abid

Senior Manager

Credit Risk Management Wing (CRMW)

Cell: 0313-2554849

sm.rmdcr@bankajk.com

Amber Waheed Qureshi

Senior Manager Operation

Risk Management Wing (ORMW)

Ph: 05822-920517

sm.rmd@bankajk.com

Credit Administration Division

Akhtar Hussain

Divisional Head

Ph: 05822-924264

Cell: 0307-2819497

dh_cad@bankajk.com

Special Assets Management Division

Masood Ilyas Khan

Divisional Head (A)

Ph: 05822-921487

Cell: 0300-5352777

dh_samd@bankajk.com

Compliance Division

Muhammad Javed Iqbal

Chief Compliance Officer

Ph: 05822-923209-10

Cell: 0345-5739739

cco@bankajk.com

Information Technology Division

Gulzar A Rao

Divisional Head (A)

Ph: 05822-923218

Cell: 0321-2401390

dh_it@bankajk.com

Awais Nisar

Senior Manager

Ph: 05822-923138

Cell: 0345-5271202

sm_it@bankajk.com

Islamic Banking Division

Muhammad Aslam Awan

Divisional Head (A)

Ph: 05822-920808

Cell: 0301-8566156

dh_ibd@bankajk.com

Audit & Inspection Division

Tariq Mehmood Khan

Head/Consultant

Ph: 05822-920447

Cell: 0333-5171351

dh_audit@bankajk.com

Waqas Chaudhary

Senior Manager

Ph: 05822-920441

Cell: 0344-1919671

sm_audit@bankajk.com

REGIONS



BRANCH NETWORK

Together We Reach

MUZAFFARABAD REGION

Main Branch Muzaffarabad (0001)

Bank Square, Chatter, Muzaffarabad
TEL: 05822-9 21254,
05822-9 21365
05822-9 21181,
E-mail: manager0001@bankajk.com

Athmuqam Branch (0008)

Main Bazar Athmuqam,
District Neelum, AJK
TEL: 05821-9 20033
05821-9 20063
E-mail: manager0008@bankajk.com

Gari-Dupata Branch (0017)

Main Bazar Gari-D upata,
Muzaffarabad, AJK
TEL: 05822-9 22503
05822 922502
E-mail: manager0017@bankajk.com

Lower Plate Branch (0018)

Near City Hospital Lower Plate,
Muzaffarabad, AJK
TEL: 05822-9 20466
05822-4 42664
E-mail: manager0018@bankajk.com

Chatter Klass Branch (0019)

Main Bazar Chatter Klass,
Muzaffarabad, AJK
TEL: 05822-9 22303
E-mail: manager0019@bankajk.com

Chakar Branch (0022)

Main Bazar Chakar, District Hattian, AJK
TEL: 05822-9 22002
05822- 922003
E-mail: manager0022@bankajk.com

Pathika Branch (0024)

Main Bazar Pathika,
District Muzaffarabad, AJK
TEL: 05822-9 22108
E-mail: manager0024@bankajk.com

Madina Market Branch (0028)

Madina Market, Muzaffarabad, AJK
TEL: 05822-9 23126
05822- 923127
E-mail: manager0028@bankajk.com

Hattian Branch (0034)

Main Bazar Hattian, District Hattian, AJK
TEL: 05822-9 22631
05822-9 22632
E-mail: manager0034@bankajk.com

Chakothi Branch (0037)

Main Bazar Chakhoti, District Hattian, AJK
TEL: 05822-9 21826
E-mail: manager0037@bankajk.com

District Complex Muzaffarabad Branch (0040)

Old Secretariat, District Complex,
Muzaffarabad
TEL: 05822-9 20043
05822-9 20187
E-mail: manager0040@bankajk.com

Sharda Branch (0043)

Main Bazar Sharda, District Neelum, AJK
TEL: 05821-9 20802
E-mail: manager0043@bankajk.com

Joora Branch (0052)

Joora, District Neelum, AJK
TEL: 05821-9 20502
E-mail: manager0052@bankajk.com

Ladies Branch, Muzaffarabad (0053)

Hashim Plaza, Poultry Farm Road,
Muzaffarabad, AJK
TEL: 05822-9 23007
05822-9 23008
E-mail: manager0053@bankajk.com

Upper Adda Branch (0061)

Near Shah Anayat Darbar, Upper Adda
Muzaffarabad
TEL: 05822-9 20746
05822-9 20747
E-mail: manager0061@bankajk.com

Chathian Branch (0062)

Srinagar Road, Chathian Bazar
TEL: 05822-9 22514
E-mail: manager0062@bankajk.com

Kutton Branch (0063)

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

Gojra Bypass Branch (0067)

Gojra Bypass Road, Muzaffarabad
TEL: 05822-9 23019
05822-9 23020
E-mail: manager0067@bankajk.com

Kundal Shahi Branch (0069)

Main Bazar, Kundal Shahi, Tehsil Athmuqam,
District Neelum
Tel: 05821-9 20342
05821-9 20343
E-mail: manager0069@bankajk.com

Brarkot Branch (0070)

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

Chinari Branch (0076)

Main Bazar Chinari,
Jhelum Valley, AJK
TEL: 05822 921716
E-mail: manager0076@bankajk.com

Prime Minister House Road Branch (0077)

Jalalabad, Muzaffarabad
TEL: 05822-9 20862
E-mail: manager0077@bankajk.com

Leepa Branch (0084)

Main Bazar Leepa, Jhelum Valley
TEL: 05822-9 22867
E-mail: manager0084@bankajk.com

Chela Bandi Branch (0085)

Neelum Valley road Chela, Muzaffarabad
TEL: 05822-943021
E-mail: manager0085@bankajk.com

Raheem Kot Branch (0089)

Near Post Office, Raheem Kot, Muzaffarabad
E-mail: manager0089@bankajk.com

BRANCH NETWORK

Together We Reach

RAWALAKOT REGION

Main Branch Rawalakot (0006)

Gulf Shopping Complex,
Katchary Road, Rawalakot
TEL: 05824-9 20068
05824-9 20069
E-mail: manager0006@bankajk.com

Bagh Branch (0010)

Main Bazar Bagh, AJK
TEL: 05823-9 20103
05823-9 20104
E-mail: manager0010@bankajk.com

Arja Branch (0011)

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

Pallandri Branch (0013)

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

Hajeera Branch (0016)

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

Dheerkot Branch (0023)

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

Abbaspur Branch (0025)

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

Khai-gala Branch (0030)

Main Bazar Khai-gala, District Poonch, AJK
TEL: 05824-9 20911
E-mail: manager0030@bankajk.com

Tararkhal Branch (0032)

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

Kahutta Branch (0038)

Main Bazar Kahutta, District Haveli, AJK
TEL: 05823-9 21746
05823-9 21772
E-mail: manager0038@bankajk.com

Paniola Branch (0039)

Main Bazar Paniola, District Poonch, AJK
TEL: 05824-9 21608
E-mail: manager0039@bankajk.com

Bloch Branch (0041)

Main Bazar Bloch, District Sudhanoti AJK
TEL: 05825-9 20316
E-mail: manager0041@bankajk.com

Talian Branch (0049)

Main Bazar Talian, District Sudhanoti, AJK
TEL: 05826-4 71319
E-mail: manager0049@bankajk.com

Thorar Branch (0050)

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

CMH Road Branch (0056)

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

Banbehk Branch (0060)

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

Mang Branch (0068)

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

Muslimabad Branch (0071)

Muslimabad Bazar, Pattan Sher Khan,
Tehsil Mang, District Sudhanoti, AJK
E-mail: manager0071@bankajk.com

Islamnagar Branch (0072)

Islamnagar Bazar, Pattan Sher Khan,
Tehsil Mang, District Sudhanoti, AJK
E-mail: manager0072@bankajk.com

Panthal Branch (0074)

Main Bazar Panthal
Tehsil Pallandri, District Sudhanoti, AJK
E-mail: manager0074@bankajk.com

Public Housing Scheme (0083)

Bank Road, Rawalakot AJK
Tel: 05824-920040
05824-9 20049
E-mail: manager0083@bankajk.com

Hari Ghel Branch (0086)

Bagh District Azad Kashmir, AJK
TEL: 05824-9 20833
E-mail: manager0086@bankajk.com

MIRPUR REGION

Main Branch Mirpur (002)

Nishat Plaza, Allama Iqbal Road,
Mirpur Azad Kashmir,
TEL: 05827-9 21446
05827-9 21448
05827-921442
E-mail: manager0002@bankajk.com

Dadyal Branch (0003)

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

Chaksawari Branch (0004)

Kotli Road, Naqeebi Plaza, Chaksawari
TEL: 05827 922663
E-mail: manager0004@bankajk.com

Islamgarh Branch (0009)

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

Bhimber Branch (0012)

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

Mirpur F-3 Branch (0015)

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

Pulmanda Branch (0027)

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

Barnala Branch (0029)

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

BRANCH NETWORK

Together We Reach

Chowki Branch (0033)

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

Poona Branch (0035)

Main Bazar Poona, District Bhimber, AJK
TEL: 05827-4 85533
E-mail: manager0035@bankajk.com

Jatlain Branch (0045)

Main Bazar Jatlain, District Mirpur, AJK
TEL: 05827-9 22764
E-mail: manager0045@bankajk.com

Mian Muhammad Town Branch (0046)

Main Muhammad Town, District Mirpur
TEL: 05827-9 20442
E-mail: manager0046@bankajk.com

Jhatti Dheri Branch (0047)

Jhatti Dheri Cross, District Mirpur, AJK
TEL: 05827-9 22564
E-mail: manager0047@bankajk.com

Ladies Branch Mirpur (0054)

Haris Plaza Chowk, Shaheedan
Sector C-2 Mirpur, AJK
TEL: 05827-9 20405
E-mail: manager0054@bankajk.com

Main Bazar Chaksawari Branch (0057)

Main Bazar Chaksawari, Tehsil Islamghar,
District Mirpur, AJK
TEL: 05827-9 22666
E-mail: manager0057@bankajk.com

Ratta Branch Mirpur (0058)

Allah Abad Market Ratta, Tehsil Dadyal,
District Mirpur AJK
TEL: 05827-9 23011
E-mail: manager0058@bankajk.com

Moil Branch (0059)

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

Samahni Branch (0073)

Near PWD Guest House Samahni, District
Bhimber, AJK
TEL: 05828-9 22165-66
E-mail: manager0073@bankajk.com

Kot Jamal Branch (0078)

Kot Jamel, District Bhimber, AJK
Tel: 05828-9 22068
Email: manager0078@bankajk.com

Kotli Road Branch (0079)

Azam Plaza, Near BISE Mirpur, District
Mirpur, AJK
Tel: 05828-9 40751- 920407
Email: manager0079@bankajk.com

Mangla Hamlet Branch (0080)

Mangla Hamlet, District Mirpur, AJK
Tel: 05827-9 22449- 48
Email: manager0080@bankajk.com

Khanabad Branch (0081)

Khanabad, District Mirpur AJK
Tel: 05827-9 22654
Email: manager0081@bankajk.com

Chechian Branch (0087)

Main Bazar Chechian District Mirpur AJK
Tel: 05827-9 22264
Email: manager0087@bankajk.com

KOTLI REGION

Main Branch Kotli (0005)

Qadri Business Centre, Ground Floor,
Opposite GPO
Kotli, AJK
TEL: 05826 920249
E-mail: manager0005@bankajk.com

Sehnsa Branch (0007)

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

Nar Branch (0014)

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

Bratla Branch (0020)

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

Khuratta Branch (0021)

Bypass Road, khuratta, District Kotli, AJK
TEL: 05826 921863
E-mail: manager0021@bankajk.com

Sarsawa Branch (0026)

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

Khad-Gujran Branch (0031)

Main Bazar Khad- Gujran, District Kotli, AJK
E-mail: manager0031@bankajk.com

Charhoi Branch (0036)

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

Tatta-Pani Branch (0042)

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

Mi-Toti Branch (0044)

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

Dhanna Branch (0048)

Dhanna Bazar, District Kotli, AJK
E-mail: manager0048@bankajk.com

Juna Branch (0051)

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

Seharmandi Branch (0055)

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

Jarahi Branch (0064)

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

Goi Branch (0065)

Main Bazar Goi District Kotli, AJK
TEL: 05826- 480649
E-mail: manager0065@bankajk.com

Lorry Adda Kotli Branch (0066)

Near Tanveer Ahmed Saheed Girls Post
Graduate college Kotli, AJK
TEL: 05826- 920247
05826- 920248
E-mail: manager0066@bankajk.com

Nakyal Branch (0075)

Bank Road Fatehpur Thakyla Kotli, AJK
TEL: 05826- 922046
E-mail: manager0075@bankajk.com

Bypass Road Branch Kotli (0082)

Bypass Road Gulhar Shareef Chowk,
Kotli, AJK
TEL: 05826- 940820
E-mail: manager0082@bankajk.com



Area of the State	13297 Sq. Kms (5134 Sq. Miles)
Population of the State	3.963 Million

Area of Districts of Azad Jammu & Kashmir

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

LEGEND

- | | |
|-----------------------------|--|
| Province Boundary | |
| Line of Control | |
| District Boundary | |
| Road (Metalled) | |
| Road (Un Metalled) | |
| Lakes & Rivers | |
| Nullah | |
| Bridge | |
| Capital | |
| Distt. Headquarter | |
| Tehsil Headquarter | |
| Elevation (Feet) | |
| Max. Height Sarwali Peak | |
| Tourism Rest Houses | |
| Tourist Huts | |
| Fort / Historical Assets | |
| Mystical / Religious Places | |
| Cafeteria | |

LOCATION MAP





G1 Year at a Glance



MEETING WITH PRESIDENT
OF AZAD JAMMU AND KASHMIR



PRESENTING SOUVENIR TO
PRIME MINISTER OF AZAD JAMMU AND KASHMIR



MEETING WITH GOVERNOR STATE BANK OF PAKISTAN

The Governor of the State Bank of Pakistan, while highly praising and encouraging the performance of the Bank of Azad Jammu and Kashmir and the steps taken to achieve Scheduled Bank status, agreed in principle with the position of the State Bank in issuing the license and said that the manner and pace with which the financial institution of Kashmir is progressing towards development and contributing to the economic and social development of the state, shows that this bank will soon join the ranks of the most successful banks. These views were expressed by the Governor of the State Bank, Mr. Jamil Ahmed, while holding discussions with the Minister of Finance, Vacancies and Chairman of the Bank Board of Directors, Khan Abdul Majid Khan, President and Chief Executive Officer, Mr. Shahid Shahzad Mir, Secretary Finance and Director of the Bank, Mr. Islam Zaib and Company Secretary, Dr. Adnanullah Khan. The Governor reviewed the performance of Kashmir Bank and said that despite not having a schedule, the performance of Azad Kashmir Bank has been excellent. He praised Kashmir Bank for starting Islamic banking and said that the bank should complete the requirements related to equity and core banking and approach the State Bank. Praising the bank for opening an exchange company, the Governor said that the State Bank will issue a license once the rules and regulations in this regard are completed. Earlier, the Chairman informed about the importance of Bank of Azad Jammu and Kashmir in the state economy, the attachment and interest of the overseas Kashmiri diaspora with the institution, the importance and usefulness of issuing a license for granting scheduled status, the steps taken by the financial institution and the state government for its development and achievement of scheduled bank status, including installation of notable core banking software, revamping of loan schemes, preparation of business case for filing an application with the State Bank and acquisition of services of a consultant for completion of legal requirements, the desire of the people of Azad Kashmir, especially the overseas Kashmiri diaspora and the corporate sector to grant the bank scheduled status. The Chairman further said that including the bank in the special projects of the Government of Pakistan like hydropower, tourism, economic empowerment of women, agriculture and housing will accelerate the development of the bank. In addition, the State Bank has nominated a focal person for the issuance of a license, guidance and support to this bank, while the opening of the bank's corporate office in Islamabad will yield positive business results. Earlier, the Governor State Bank was briefed by the President of the bank, Mr. Shahid Shahzad Mir, on the history, administrative structure, expanding network and customer outreach, paid-up capital and financial development status of the state bank. Mr. Governor listened to the briefing of the bank team with interest and attention and agreed in principle to the institution's position for achieving scheduled bank status. On this occasion, souvenirs were presented to the Governor State Bank.

BOARD OF DIRECTORS'/ COMMITTEE MEETINGS

Together We Act

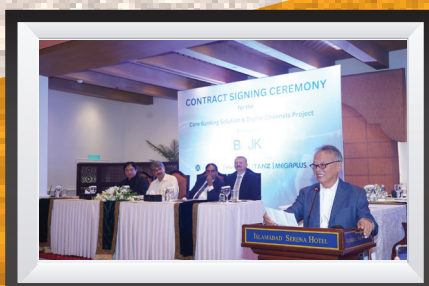


MANAGEMENT COMMITTEE MEETINGS



CONTRACT SIGNING CEREMONY FOR THE CORE BANKING & DIGITAL CHANNELS PROJECT

Together We Collaborate



MEMORANDUM OF UNDERSTANDING (MOU) WITH SILVERLAKE

Together We Collaborate



The Bank of Azad Jammu and Kashmir (BAJK) has signed a Memorandum of Understanding (MoU) with Silverlake, a world-renowned Malaysian company, marking a significant step towards digitalization and scheduling. The MoU was signed during a ceremony held in Kuala Lumpur, Malaysia, after which documents were exchanged. Azad Jammu and Kashmir Minister for Finance and Cooperatives/Chairman of BAJK, Khan Abdul Majid Khan, President/CEO of BAJK, Mr. Shahid Shahzad Mir, and representatives of Silverlake were present on the occasion.

Notably, the local partner of Silverlake, I-Consult, played an instrumental role in facilitating this MoU, and its representatives, Mr. Shahid Ahmed Khan and Mr. Khurram Jamal, were also present during the signing ceremony, contributing to the successful collaboration.

Silverlake is a leading company providing core banking and digital technology services to over 370 banks and financial institutions across 80 countries. It is globally recognized for its advanced core banking software technology and a 100% success rate.

With this agreement, BAJK has achieved a major milestone in modernizing its banking infrastructure. The partnership will enable the bank to implement the latest banking software, a key requirement for obtaining a scheduling license under the regulatory framework of the State Bank of Pakistan. This development will bring Kashmir Bank on par with all major banks in Pakistan.

Speaking at the event, Chairman Khan Abdul Majid Khan stated that this MoU is not just a technical upgrade but the foundation of a revolution. It will allow BAJK to serve its customers more efficiently and transparently while contributing to the economic growth and prosperity of Azad Jammu and Kashmir.

MEMORANDUM OF UNDERSTANDING (MOU)

Revolutionize Financial Transactions and Enhance Cash Management

Together We Collaborate



Bank of Azad Jammu and Kashmir (BAJK), a leading financial institution, has entered into a strategic partnership with Faysal Bank Limited. This collaboration aims to revolutionize the way financial transactions are conducted by integrating the International Bank Account Number (IBAN) system and enhancing cash management operations.

By adopting IBAN, BAJK will streamline its financial operations, enhancing efficiency and transparency.

* Enhanced Efficiency: The IBAN system will expedite domestic and international fund transfers, reducing processing time and minimizing errors.

* Improved Security: The standardized format of IBAN ensures greater security and reduces the risk of fraudulent activities.

* Global Recognition: IBAN is an internationally recognized standard, facilitating seamless cross-border transactions.

* Enhanced Cash Management: Through this partnership, BAJK will benefit from Faysal Bank's robust cash management solutions, including:

* Cash Collection: Efficient and secure collection of cash from multiple sources.

* Cash Disbursement: Timely and accurate disbursement of funds to various payees.

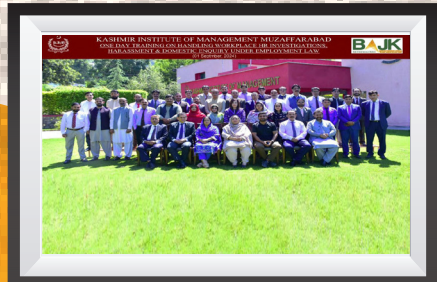
* Cash Forecasting: Accurate prediction of cash flow needs to optimize liquidity management.

* Cash Pooling: Centralization of cash balances to optimize interest income and reduce borrowing costs.

The signing ceremony was attended by key representatives from both organizations, including the Chief Compliance Officer, DH Risk Management Division, and DH Treasury Management Division from BAJK, and the Head of Cash Management and Regional Head Islamabad from FBL.

TRAININGS & WORKSHOPS

Together We Improve



BAJK 18TH ANNIVERSARY CELEBRATIONS

Together We Live



BUSINESS PROMOTION MEETINGS



77TH INDEPENDENCE DAY CELEBRATIONS

Together We Celebrate



AWARDS/PRIZES



SPEAKER AJK ASSEMBLY OPENS HIS ACCOUNT IN BAJK



NEW BRANCH INAUGURATION *Together We Bank*





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.

1.3 Integrity

Every employee shall:-

- Conduct the highest standards of ethics, professional integrity and dignity in all dealings with public, clients, investors, employees of Bank. He shall not engage in act of discrediting the Bank. If he becomes aware of any irregularity that might affect the interest of the Bank, he will inform the Bank immediately.
- Avoid all such circumstances in which there is personal interest conflict or appears to be in conflict with the interest of Bank or its customers.
- Not use his status to seek personal gain from those doing business or seeking business from BOAJK, or accept any gains if offered. He shall not accept any sort of gifts, favor, benefits, frequency of which exceeds normal business contact from a customer, constituent likely to have dealing with BOAJK and candidates for employment in the Bank.
- Not accept any benefit from the estate of, or a trust created by a customer or from an estate or trust of which Bank's company or business unit is an executor, administrator or trustee.

1.4 Conflict of Interest

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

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

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

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

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

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

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

1.5 Professionalism

Every employee shall:-

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

1.6 Know Your Customer

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

Effective use of "Know Your Customer" and customer's due diligence discourages money laundering, which uses

Banks as vehicles to disguise or "launder" the proceeds of criminal activities. Involvement in such activities undermines Bank's integrity, damages its reputation, deters honest customers and leads the Bank to severe sanctions.

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

- 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

must be surrendered to the Head of Human Resources Division along with reasons of acceptance.

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

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

1.11 Office Attendance

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

1.12 Corporate Culture

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

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

1.13 Customer Relationship

Knowing our customers and their needs is the key to our business success. Fairness, truthfulness and transparency govern our customer relationships in determining the transactional terms, conditions, rights and obligations.

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

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

1.14 Business/Work Ethics/Discipline

Every employee shall:-

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

1.15 Women at Work Place

BAJK is destined to provide its employees, irrespective of gender and without prejudices, a working environment where they feel completely secured and satisfied to perform at the optimum level. Being an equal opportunity

employer, the Bank provides a progressive environment for all its employees to progress and contribute regardless of their cast, creed, religion or gender. Female employees form a formidable work force of the Bank and essentially deserve complete protection. They are mutually respected and protected by the fellow employees and the complaints of mistreatment, bias or prejudices are rare. However, in order to benefit them from State's commitment to effectively safeguard them from perpetrators, the Bank has decided to adopt and enforce provisions of 'The Protection against Harassment of Women at the Workplace Act 2010', in all the branches and offices, forthwith.

1.16 Maintaining Confidentiality

Confidential information comprises of:-

- 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

practices. Accordingly, all employees must acquaint themselves with all applicable laws and regulations.

Senior Management will ensure that:

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

1.19 Special Conditions

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

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

1.20 Certification

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

1.21 Workplace Safety and Security

It is expected from all employees of the Bank that they will participate in the protection of their workplaces and in helping the Management of the Bank to secure a healthy and safe work environment. Towards this objective they are required to:

- a. Immediately inform their supervisor, manager or senior executive of any alarming developments like the occurrence of smoke, fire, pungent odor or gas leaks;
- b. Participate in any safety drills organized by the Bank from time to time;
- c. Be vigilant of dangerous practices that may be practiced by a colleague or staff member and take proactive action in preventing such practices;
- d. Refrain from taking part in or supporting any act of violence or unruly behavior by any person that may cause bodily harm to any person, or damage property, within any premises of the Bank, its offices and branches, and;
- e. Be vigilant of suspicious behavior or practice that may be displayed by an unidentified person within their immediate workspace or workplace.