



Bank of Azad Jammu & Kashmir

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ANNUAL REPORT 2021



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بینک آف آزاد جموں و کشمیر

2021

THE YEAR OF EXCELLENCE

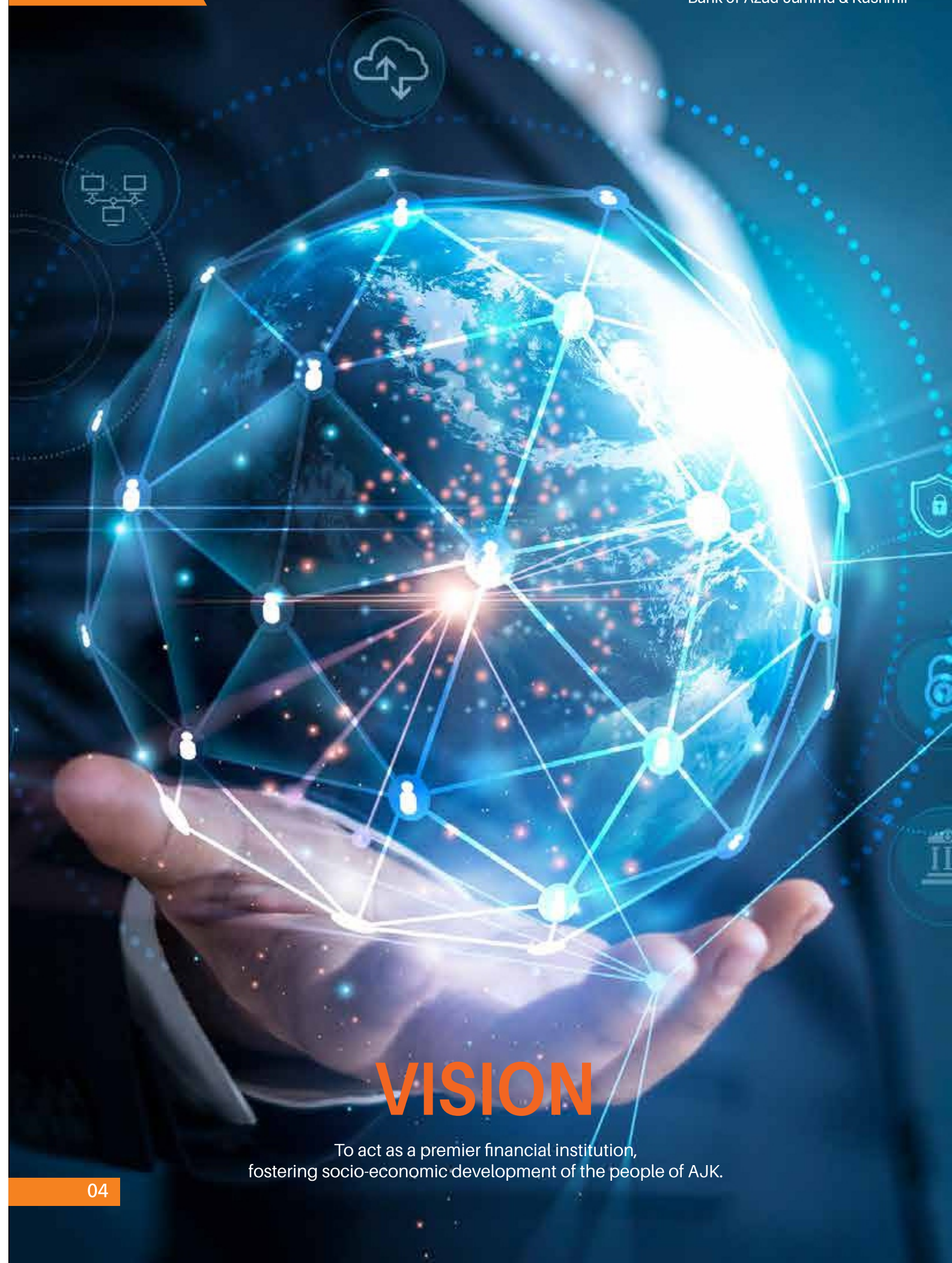


ONE BANK-ONE TEAM



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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 for the well-being of its people.



CORPORATE INFORMATION

Board of Directors

Abdul Majid Khan	Chairman
Minister Finance, Cooperative & Inland Revenue, AJ&K	
Khawar Saeed, President/CEO	Member
Asmatullah Shah, Secretary Finance	Member
Dr. Muhammad Idrees Abbasi, Secretary Law, Justice & Parliamentary Affairs	Member
Syed Zahoor-ul-Hassan Gillani, Secretary Industries & Commerce	Member
Syed Haider Abbas, Chartered Accountant	Member
Mubashar Nabi, Founder President ACT International, Life time member of HRDN, Member Board of Director PRIZE	Member
Chaudhary Muhammad Akhtar, Social Worker	Member
Zulfiqar Abbasi, Businessman	Member

Human Resource Committee

Secretary Finance	Chairman
Secretary Law, Justice & Parliamentary Affairs	Member
President/CEO	Member
Mubashar Nabi	Member
Divisional Head Human Resource Management Division	Secretary

Audit Committee

Syed Haider Abbas	Chairman
Secretary Finance	Member
Chaudhary Muhammad Akhtar	Member
Zulfiqar Abbasi	Member
Divisional Head, Audit and Inspection Division	Secretary

Risk Management Committee

Mubashar Nabi	Chairman
Secretary Law, Justice & Parliamentary Affairs	Member
President/CEO	Member
Syed Haider Abbas	Member
Divisional Head, Risk Management Division	Secretary

I.T Committee

Secretary Finance	Chairman
Secretary Industries, Secretary Industries & Commerce	Member
President/CEO	Member
Mubashar Nabi	Member
Divisional Head, Information Technology Division	Secretary

Company Secretary

Maazullah Khan

Chief Financial Officer

Shahid Shehzad Mir

Auditors

Yousuf Adil Chartered Accountants

Registered Office

Bank Square, Chatter Dome, Muzaffarabad AJK

MESSAGES



MESSAGE FROM THE PRESIDENT

BARRISTER SULTAN MEHMOOD CHAUDHRY
President Azad State of Jammu & Kashmir

The Bank of AJ&K (BoAJK) has successfully completed another year of its operations. During this year, it has crossed many milestones amidst strong competition posed by large banking institutions. It is gratifying that in the year 2021, the bank has emerged as a premier financial institution providing value added services across the State and extending lending opportunities specially in Tourism, SMEs, Agriculture, Hydro, Livestock and micro financing and has been able to register its presence not only in the banking sector as an active player but also contributing a lot towards socio economic development of the State. It is heartening to note that this bank is making significant progress and earning substantial amount of profit and has emerged as one of the largest tax payer entities of AJ&K.

Banking landscape is undergoing a major transformation with emerging technologies to embrace digital realm in the financial sector along with the change of mind sets, culture, habits and smart customer engagement. BoAJK is mindful of these developments and is continually assessing technological infrastructure to excel customer service, expand scope of secured offerings, enhance efficiencies and increase diverse business portfolios.

Although the bank has extended its network to far flung areas of the State to provide banking services to the people at their door steps and is further expanding its branch network to unbanked areas but still it is my desire that all branches of BoAJK should be placed in an ideal environment for maximum output and must be equipped in accordance with good standards providing highly congenial atmosphere for efficient working.

Last but not least, I must comment that significant economic activity takes place within the geographical boundaries of Azad Kashmir and also great business potential exists in the State and thus the scope of the BoAJK will be extensive.

Hopefully, the days are not far when the BoAJK will prove its identity to build the Bank as a sound financial institution of AJK and extend its network and to become Bank of choice for the people. I believe that management of the Bank will further ensure to observe the highest level of professional standards, in all walks of business operations.

I foresee bright future of this institution and pray for its continuous and speedy progress in future



MESSAGE FROM THE PRIME MINISTER

SARDAR TANVEER ILYAS KHAN
Prime Minister, Azad State of Jammu & Kashmir

The State of Azad Jammu and Kashmir is a potential market for banks ensuring reasonable growth both in terms of deposits and other products such as retail banking, remittance services and project financing. The Government of AJK is taking all necessary measures helpful in creation of an enabling environment for the further growth of the banking sector by removing impediments on the way of its progress. The overall banking sector in AJK remained vibrant in highly competitive market environment, services and technology interface in terms of collecting savings but remained shy in lending to SMEs, Agriculture and other sectors of the economy.

In view of the potential and desire of the people of the State of Azad Jammu & Kashmir and also to mobilize savings conducive for its progress and prosperity, Bank of AJK justifying its establishment and emerged as not only a profitable corporate entity to the Government of Azad Jammu and Kashmir but also playing a key role in socio economic development of the state. The Bank as compared to other financial Institutions operating in the state has grown breadth and depth in terms of customers' diversity and presence in remote areas and has high level of marketing understanding which developed a base for designing an effective portfolio of products and services. I understand that the bank will also focus on priority areas within AJK like hydel projects, health care and other activities. Impressive performance in a competitive environment and its role as a national institution dedicated to bring a socio economic change by providing banking services and extending credit facilities throughout the state deserves appreciation.

In 2021, the bank has grown both in terms of its footprints in different parts of the State as well as its growing deposit base, lending in different sectors and profitability, which is evident from the current financials of the Bank and its presence at 77 locations in all 10 districts of the State. The Management of the Bank is committed to build sustainable long-term partnerships with customers and adopt an innovative banking approach while remaining loyal to our nation's heritage and contributing to the overall economy of the AJK. The Govt. of AJK is fully aware of the challenges being faced by the Bank of AJK on account of its non-scheduled status and very determinant in making utmost efforts to get the Bank scheduled with the State Bank of Pakistan in the shortest possible time.

In the Year 2021, the performance of the Bank remained remarkable in earning profits, procuring deposits, lending in different sectors and foreign remittances. Its operating profit reached to the highest figure of Rs. 458 million, deposits increased to Rs. 17.2 billion when compared to the previous years. The other indicators i.e growth in inward remittances and EPS presently standing at Rs.4.2 Billion and Rs. 0.79 respectively amply defines its direction to make a quantum jump in the time to come. I pledge that the Government of AJK will continue to observe complete autonomy and independence of the Board of Bank of AJK in framing policies focusing on national economic objectives and its functioning purely on commercial considerations to the entire satisfaction of stakeholders.

I appreciate and acknowledge the performance of president/CEO and his team for exemplary financial results of the bank during 2021 and hopeful that this state owned institution will continue to perform well in the year 2022 and onward.

I also appreciate the Chairman and members of the Board of Directors and confident that under their governance the Bank of AJK will remain committed to create economic opportunities and to help elevate the quality of life of the people of the State. Meanwhile, I pray to Allah SWT to shower His blessings and provide impetus to make this Bank a leading financial institution of the State.



MESSAGE FROM THE CHAIRMAN

ABDUL MAJID KHAN

Minister for Finance, Cooperative & Inland Revenue, AJ&K

It is a matter of privilege for me to be the Chairman of Bank of AJK and presenting Annual Report for the 16th year of the Bank's foundation. Annual Report for the year 2021, yet again, is a testimony of the effectiveness of the Bank's business model and robustness of its strategies. It demonstrates our resolve to build further on our accomplishments and strengthens, the conviction entrusted by the Govt. of AJK and more than 200,000 relationships. This year also witnessed a number of significant achievements for BAJK. In 2021, the Bank recorded historical business growth, record profitability, highest foreign remittances and healthy assets growth of the bank has paved the way for a new vision and unfolds a new era of sustainable growth.

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

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

I believe that in today's highly competitive environment, employee progression driven by performance is essential as is the need to ensure accountability across the institution. To this end the Bank is focusing to strengthen its Human Resources through hiring of talented and experienced staff in the bank.

We aim to explore new avenues and strengthen our portfolio. In coming years the emphasis will be on implementing high standards for controls. We would like to express our appreciation to our key partners, the foremost of which is the Governments of AJK, which is our major shareholder. As we look to enhance the corporate culture of our institution, the government's role in facilitating this effort is critical. We ensure to give priority to building our standards of governance across the range of our markets and activities, so they fully meet stakeholder's expectations.

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

I expect significant improvement in the operating environment of the bank. I am fortunate to be part of this Bank to witness the Bank's transformation from its non-scheduled status to a reputable Scheduled Bank. I assure for value driven Banking facilities and services in the efficient and effective manner for the overall growth of economy consistent with the socio-economic objectives of the Bank. I myself and the entire team of the Bank rededicate ourselves for future of this bank which appears promising.

All the vital parameters indicate a favorable operating environment in the near future. With the continued patronage and support of its customers, Bank of AJK will achieve newer heights in business for the mutual benefit of all stakeholders.



MESSAGE FROM THE PRESIDENT/CEO

KHAWAR SAEED

President/CEO

I greatly acknowledge the trust and confidence entrusted upon me that, under my leadership the bank will scale new heights, at a time when the entire banking sector was affected by rising NPLs, climbing inflation and a shrinking customer base, these further deteriorated our structural issues, making our efforts to re-align the bank's balance sheet an even more difficult task. The journey of the Bank of Azad Jammu & Kashmir is narrated by its legacy of sustainable and steady support towards the growth of State's economy from 16 years. With our strong financial position, secure banking services, constant focus on financial inclusion and employment of highly-qualified human capital, we have been there to serve you according to your needs and changing dynamics of the industry. Your trust has been instrumental to our success and we ensure that we repay this trust with even greater returns and a strong commitment that your faith in us is well protected, secure and is being strategized into a mutually beneficial relationship. With great success comes even greater responsibility and we realize just how important your trust and investment is for us. We grow and nurture your investment carefully through our prudent banking approach backed by a strong equity position. While maintaining a strong risk management culture, we continue to prudently manage risk throughout the Bank. Our commitment to improve our conduct and controls is factored into every strategic and operational decision we make and is the key to our perseverance, steadfastness and success in the industry. I'm honored and grateful to share our story of sterling performance during 2021 – a year in which AJK Bank continued to focus on creating value for its clients, communities and shareholders. BAJK's profit before tax rose to Rs. 403(M) reflecting a tremendous growth of 52% over 2020. It has been achieved in a difficult and challenging operating environment. The Bank's profit after tax increased to Rs. 238(M)(+ 56 %) enabling a significant return on capital to our shareholders in the form of dividends, which totaled Rs. 0.79, the highest in the history of the bank. The assets of the Bank grew by 40% to Rs.23.5 (B) over the year. In comparison with 2020, net interest income grew to Rs. 1.004(B) registering a splendid growth of 30%, with Return on Assets (ROA) and Return on Equity (ROE) improving to 1.87% and 8.12%, respectively.

This incredible financial performance demonstrates how BAJK is building a long-term client franchise whilst delivering premium return on its equity. Our phenomenal growth also illustrates the strength of our diversified business model and our disciplined approach to controlling costs, deploying capital and managing risk through the cycle. Our efforts in retaining customer loyalty are demonstrated through 76% deposit concentration in CASA. We also enforced and ensured compliance screenings of every customer, vendor and counterpart to safeguard our business. Our strategic focus on fast paced and reliable customer service, regulatory compliance and security, helped increase customer confidence as BAJK's Home Remittances surged to a volume of Rs. 4.25 (B), registering a tremendous growth of 52% over last year. We are determined to provide high quality products and services that are best suited to the diverse needs of our customers. In 2021, BAJK Bancassurance businesses recorded handsome growth in premium over 2020. With a well framed infrastructure in place, we improvise and constantly upgrade innovative solutions in our banking products and services for enhanced user experience. With a strong and vast network of 77 Branches and a notable customer base, BAJK continues to be one of the leading institutions in the banking & financial services sector in AJK. I would like to acknowledge the hard work and dedication of all staff members of BAJK. I am grateful to our stakeholders who showed their trust by investing in us and recognize us as a well reputed financial services provider. We remain committed to maintaining this trust in years to come with stellar financial performance and by building an even stronger foundation of compliance to ethical and regulatory standards. BAJK is very fortunate to have a richly experienced and diverse Board of Directors that led by our distinguished Chairman provides independent oversight, support and guidance to the management and for that I extend my sincere appreciation to each member of our Board.

We are a strong Bank as we abide by the law, pay our taxes, value our customers, take care of our investors and shareholders, invest in secure and advanced solutions and most importantly, truly operate as "One Bank One Team". With this unity, discipline and determination I am confident that we will continue to rise above all challenges and will register ourselves as an even stronger and reputable Bank in the years to come.



Abdul Majid Khan
Minister Finance, Cooperative &
Inland Revenue, AJ&K

Abdul Majid Khan is currently Minister for Finance, Cooperatives & Inland Revenue of the State of AJ&K and is also Chairman Board of Directors of Bank of Azad Jammu and Kashmir. Abdul Majid 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. 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.

The Chairman has represented Kashmir issue at various international forums such as European Parliament, House of Lords, UK and Human Rights Commission. He was part of dialogue on Kashmir issue in USA, Turkey and France.

Abdul Majid 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.



Khawar Saeed
President/CEO

Mr. Khawar Saeed President & CEO of BAJK is a career banker with diversified domestic and international banking experience. He holds a Master of Business Administration (MBA) degree and is an Associate of Institute of Bankers Pakistan, (DAIBP) with distinction in Book Keeping & Accounts. Mr. Saeed also holds Certificate of Professional Designation in International Business Management, Award in General Business Studies-Credit Management, Certificate in International Business and Trade from the University of California, Los Angeles, USA (UCLA). He has Certificate in Credit Management from the National Institute of Credit, USA. Mr. Saeed has attended a number of advanced banking courses, seminars, and workshops. He started his banking career with Saudi British Bank, Riyadh, Saudi Arabia. During 33 years of glorious innings in NBP, he played leading role at Head Office/ Regional Offices and has successfully run the Central Asian network of Republics Region as CEO which comprised two full-fledged Subsidiary banks, three branches and one representative office in six different counties.

He possesses strong leadership and management skills with proven abilities and has been able to transform the business profile of the Institution by evolving and implementing result-oriented strategies, team spirit and unique business practices. His expertise in International banking, Corporate Finance, commercial and retail banking, Compliance, HR, SMEs and Micro Credit etc. has earned him reputation in the areas of business development and organizational turnaround. Mr. Saeed maintains an excellent portfolio with numerous accomplishments, awards and accolades that accumulated over the years due to consistent hard work, dedication and outstanding performance in the banking profession. He has been a member BOD of Fauji Fertilizer Company. He was also chairman of BOD NBP Subsidiary Bank Almaty Kazakhstan and Subsidiary Bank Tajikistan. He is member of the State Tourism Executive Committee (STEC) and also member of the Board of Investment, Azad Government of the State of Jammu and Kashmir.



Asmatullah Shah
Secretary Finance

Mr. Asmatullah Shah is Secretary Finance, Azad Government of the State of Jammu & Kashmir and Director of the Board of BAJK. He is an Engineering Graduate and a career civil servant belonging to Pakistan Audit and Accounts Service.

He has assumed the office of Finance Secretary of the Government of AJK in January, 2020 on deputation basis. Prior to joining the Government of AJ&K as Secretary Finance, he has served as Director General Audit, Government of KPK; Secretary Workers Welfare Board, Peshawar; Additional Accountant General KPK; Additional Secretary (Finance), Government of KPK; Joint Secretary (Housing & Works), Islamabad; Additional Secretary (Planning & Development), Government of KPK; Managing Director Education Foundation, KPK and other assignments relating to Public Finance, Project Management etc.



Mubashar Nabi
Founder President ACT International,
Life time member of HRDN,
Member Board of Director PRIZE

Mubashar Nabi is Founder President and Ex-CEO of ACT. With a vast and diversified background of 30 years of experience and contributed to policy work and designed & piloted number of national programs & development initiatives across Pakistan & AJ&K. He has almost 30 years' 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 endeavours in the country. His special interest revolves around Institutional Development & Organizational Strengthening, Leadership Management, Social mobilization, Capacity Building, Program Management and Innovate divergent programmes in the field of poverty alleviation, microfinance, disaster preparedness, livelihood, social sector, reconstruction and social mobilization.



Dr. Muhammad Idrees Abbasi
Secretary Law, Justice and
Parliamentary Affairs AJK

Dr. Muhammad Idrees Abbasi is Secretary Law, Justice, Parliamentary Affairs & Human Rights Department, Govt. of AJK and Director of the Board of Bank of AJK. He is a Ph.D in Law (Human Rights) from International Islamic University, Islamabad and has a vast experience of law, planning, teaching and management at his credit which includes various top hierarchy level positions. He headed various Departments as Secretary to the Govt. of Azad Jammu & Kashmir.

Dr. Abbasi is a highly professional/competent person. He attended a large number of training programs nationally and internationally. Dr. Abbasi has a diversified personality which lead him to write numerous Research Papers and Publications on all the aspects such as Human Rights, Islamic as well as Inland Laws, Kashmir Issue, Electronic Media and Women Testimony under Qanoon-e-Shahadat.



Zulfiqar Abbasi
Businessman

Mr. Zulfiqar Abbasi, is a private Director on the Board of Bank of Azad Jammu & Kashmir. He holds Masters Degree in English Literature and also Alumni of the National Defence University (NDU), Islamabad (NS4W). Mr. Abbasi is the former President of Jammu & Kashmir Joint Chamber of Commerce & Industry (a joint Chamber of AJK and Indian Held Kashmir) and also Presided AJ&K Chamber of Commerce and Industry, Mirpur. Mr. Abbasi also remained President of Center for Peace, Development and Reforms (CPRD), an AJ&K based think tank working on AJK Constitutional amendments and generated various publications on Youth affairs, Tourism in Kashmir, Environmental issues, Local Bodies elections, Electoral Reforms, Cross LOC Trade, Women status and host of other issues.

Mr. Abbasi also served as Chief Executive of various companies set up and owned at Mirpur, A.K such as Kohsar Hydro Power Pvt. Ltd, Pakistan's first private sector Hydro Power Project. Mangla Metals Pvt. Ltd, A steel Industry based on self generated hydropower. Kashmir Foods Pvt. Ltd, A food distribution and manufacturing industry. Mr. Zulfiqar Abbasi, also worked as Director at the Board of Directors of various State owned Institutions and Corporations including AJ&K Hydro Electric Board, AJ&K Technical and Vocational Training Authority (TEVTA), AJ&K Mineral and Industrial Development Corporation (AKMIDC), AJ&K Information Technology Board and AJ&K Small Industries Corporation.



Syed Haider Abbas
Chartered Accountant

Syed Haider Abbas, a fellow member of the Institute of Chartered Accountants of Pakistan, has served A. F. Ferguson Co. Chartered Accountants (a member firm of the PwC Network) in Assurance and Business Advisory Services for 40 years. He retired in 2019 as partner in charge of the Islamabad office. Syed Haider has lead a large number of assurance and business advisory assignments for banks and other financial institutions, manufacturing, telecom and public utility sectors, not for profit organizations and multilateral/bilateral funding agencies. He carries diverse experience covering statutory audits, review engagements, diagnostic reviews, procurement audits, pre award assessments of implementing partners, system review assignments, developing policies and procedures manuals, assessment verification of insurance claims, design and review of financial models, etc.

He also developed self-assessment template for Board of Directors and monitored the self assessment process carried out by the directors. He has served on various Committees of ICAP including Accounting Standards Committee, Audit Standards Committee and Continued Professional Development Committee. Syed Haider has also conducted Quality Review of PwC Ireland Audit Practice as a member of International Quality Review Team. He successfully completed ICAP's Directors Training Program in 2019.



Syed Zahoor-ul-Hassan Gillani
Secretary Industries &
Commerce/AJK

Syed Zahoor-ul-Hassan Gillani is Secretary to the Government of the State of Jammu and Kashmir, heading Industries, Labour & Mineral Resources/AJ&K Board of Investment and Director of the Board of BAJK. He has headed various important administrative positions in the state being officer of the D.M.G. Moreover, he has served in a Foreign Mission of Pakistan abroad (K.S.A.) with the status of Councillar Labour/Community Welfare Attachee for more than three and a half year, from 2007 to early 2011. He has vast and diversified experience in planning, finance, education, tourism, IT, agriculture, livestock and information sectors at various departments of Government of AJK.

He has attended large number of training programmes. He is also on the Board of Directors of Azad Kashmir Logging and Sawmills Corporation (AKLASC).



Chaudhary Muhammad Akhtar
Social Worker

Chaudhary Muhammad Akhtar (TI), is among the private Directors on the Board of Bank of Azad Jammu and Kashmir with a proven record of a successful businessman. Mr. Akhtar is a British born Kashmiri and completed his Masters in Business Management from Shipley College of United Kingdom. Mr. Akhtar is running his own business and proved himself as a successful businessman of UK. The main reason of recognition under his arm is the establishment of Kashmir Orphan Relief Trust (KORT) in Mirpur A.K, where 1500 orphans across the AJK get food, shelter, clothing, medical care, education and all other necessities needed for children. After the devastating earthquake hit AJK and northern areas of Pakistan in October 2005, where thousands of people died, injured and many children were orphaned, Ch. Akhtar was among the people who came back to motherland to help the victims of this earthquake. Mr. Akhtar has also worked to provide relief to the flood affectees, Ceasefire Line victims and to vulnerable and deserving communities in Azad Kashmir and Pakistan. On his huge work, commitment and dedication to help needy, deserving and poor, the Prime Minister of Azad Kashmir gave him title of "Edhi of Kashmir". Further the Prime Minister of Azad Kashmir named Jarikas (Town in Mirpur) to Akhtarabad where the largest home of orphans is built by efforts of Ch. Mohammad Akhtar. In recognition of his social services, on September 7th, 2020 the Government of Pakistan awarded him with civil award "Tamgha -e-Imtiaz". In recognition of the efforts/achievements of Ch. Mohammad Akhtar the Govt. of Pakistan also made KORT part of the team of Model Welfare Villages Project and has been given a total area of 50 kanals in the First Village at Swabi, KPK. Apart from these achievements, the most important he achieved is the love, respect and appreciations from the community, people and also the hundreds of orphan children living in Kashmir Orphan Relief Trust (KORT).

Ch. Muhammed Akhtar (TI) participated as "PRIDE OF PAKISTAN" on Pakistan Day Parade 2021 hosted by ISPR in the honor of 100 philanthropists from all over the Pakistan. Mr. Akhtar has dedicated his whole life for welfare and wellbeing of orphan children and says "Opportunities don't knock on one's door too often, and when they do, one should take full advantage, this is exactly what I am trying to do. Allah has given me an opportunity to make a difference to change the lives of underprivileged and orphan children in AJK and Pakistan."

MANAGEMENT TEAM WITH PRESIDENT/CEO



MANAGEMENT

Maazullah Khan

Divisional Head Human Resource
Management Division (HRMD)

Syed Aftab Hussain Gillani

Divisional Head Commercial & Retail
Banking Division (CRBD)

Shahid Shahzad Mir

Chief Financial Officer (CFO)

Zamurrad Hussain

Divisional Head Operations (DHO)

Muhammad Akram Awan

Divisional Head Credit Management
Division (CMD)

Ahtasham Malik

Divisional Head Information Technology Division (IT)

Raheela Javed

Divisional Head Credit Administration
Division (CAD)

Syed Tashfeen Gillani

Divisional Head Treasury Management
Division (TMD)

Akhter Hussain

Chief Compliance Officer/
Divisional Head Risk Management Division
(CCO/RMD)

Tariq Mehmood Khan

Divisional Head Audit & Inspection
Division (A&ID)

Raja Ghulam Mustafa

Divisional Head Special Assets Management
Division (SAMD)



Maazullah Khan
Divisional Head HRMD



Syed Aftab Hussain Gillani
Divisional Head CRBD



Shahid Shahzad Mir
CFO



Zamurrad Hussain
Divisional Head Operations



Muhammad Akram Awan
Divisional Head CMD



Ahtasham Malik
Divisional Head IT



Raheela Javed
Divisional Head CAD



Syed Tashfeen Gillani
Divisional Head TMD



Akhter Hussain
Divisional Head CCO/RMD



Tariq Mehmood Khan
Divisional Head A&ID



Raja Ghulam Mustafa
Divisional Head SAMD

10 YEARS AT A GLANCE 2012-2021

10 YEARS AT A GLANCE

Rupees in million

Balance Sheet	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Deposits	17,271	13,700	11,874	11,063	9,547	7,846	7,441	6,643	5,368	4,600
Advances (net)	2,815	2,247	2,037	2,029	2,408	2,609	2,834	2,257	1,678	1,101
Investments/Placements	19,206	13,206	10,372	9,464	7,745	5,677	5,094	4,783	4,128	3,995
Equity	5,421	2,385	1,227	1,154	1,063	949	880	810	730	684
Total Assets	23,551	16,819	13,566	12,411	10,841	8,936	8,455	7,585	6,204	5,401

Operating Results										
Mark-up/return/interest earned	1,673	1,512	1,279	936	843	809	795	723	562	555
Mark-up/return/interest expensed	668	737	703	385	327	333	376	378	320	293
Net Markup Based Income	1,004	774	577	551	516	475	419	346	242	262
Non Markup Based Income	36	34	27	22	52	51	39	56	45	46
Non Markup Based Expenses	600	519	470	422	363	325	285	243	207	159
Operating Profit	440	289	134	151	204	201	172	159	81	150
Provision	37	31	9	(22)	(63)	112	47	53	18	9
Net Profit Before Tax	403	258	125	173	267	90	125	106	63	141
Net Profit After Tax	238	153	72	100	157	51	70	80	46	96

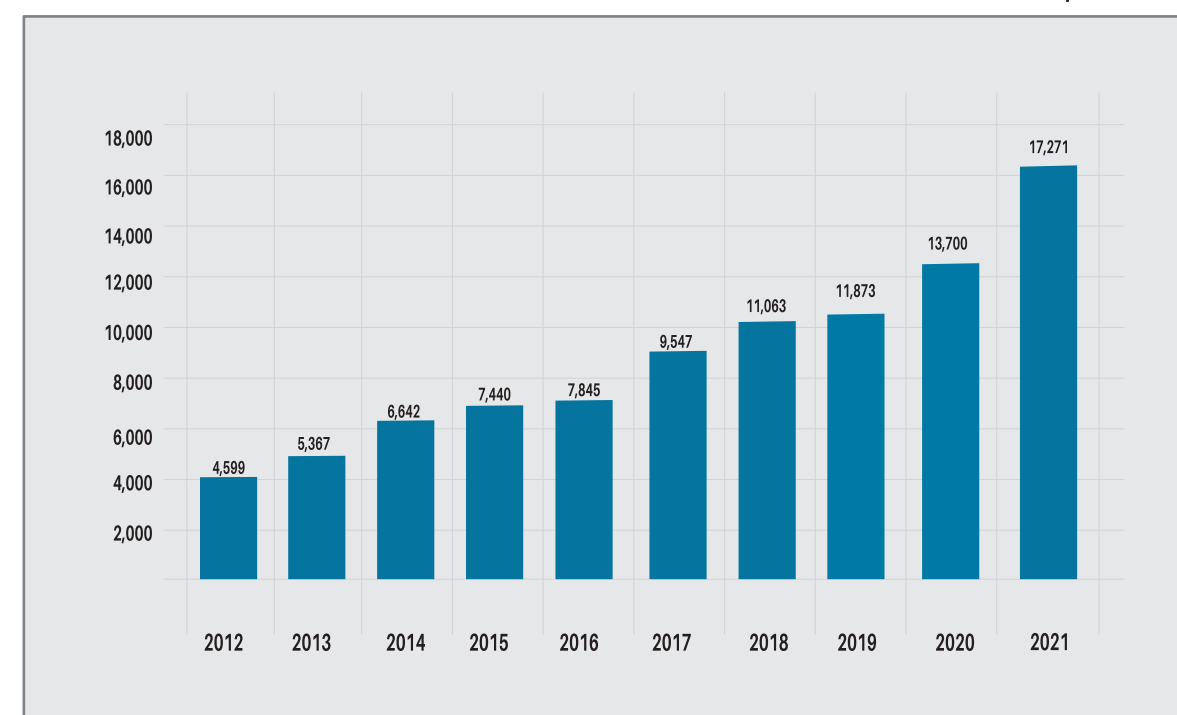
Other Information										
Earning per share (Rupees)	0.79	1.27	0.64	1.07	1.68	0.65	0.89	1.22	0.72	1.66
Number of Branches	77	70	70	70	68	65	64	59	52	52

FINANCIAL HIGHLIGHTS



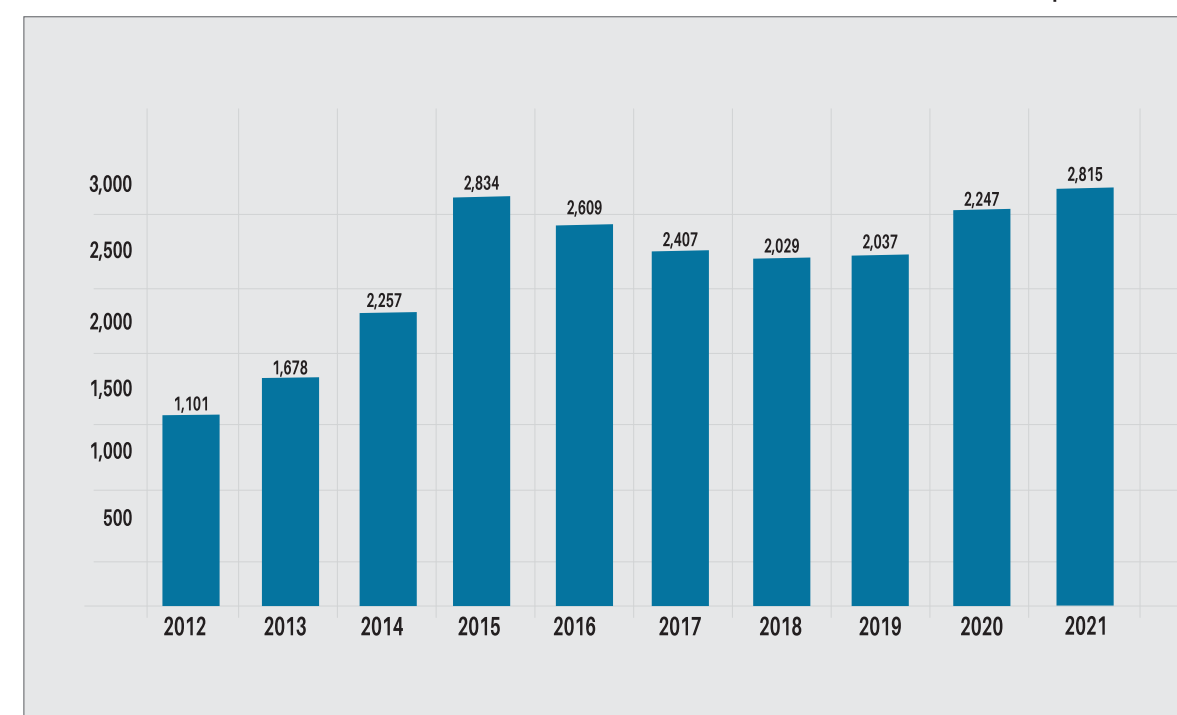
DEPOSITS

Rupees in million

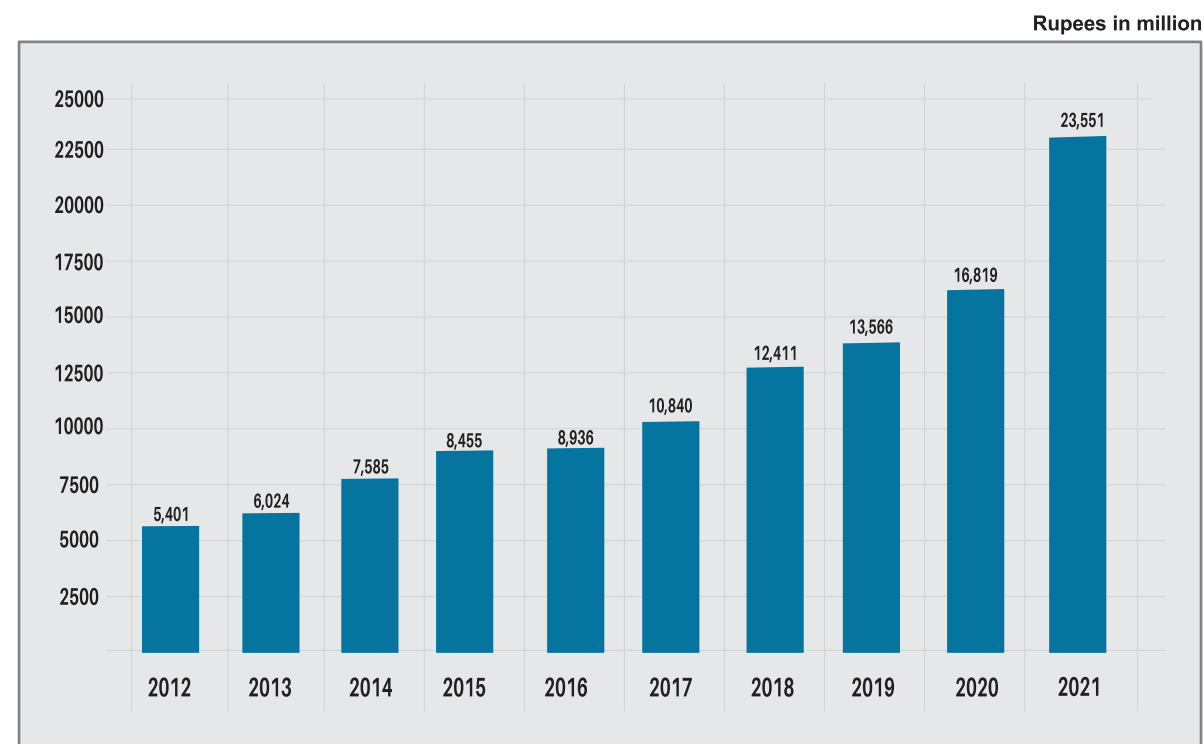


ADVANCES

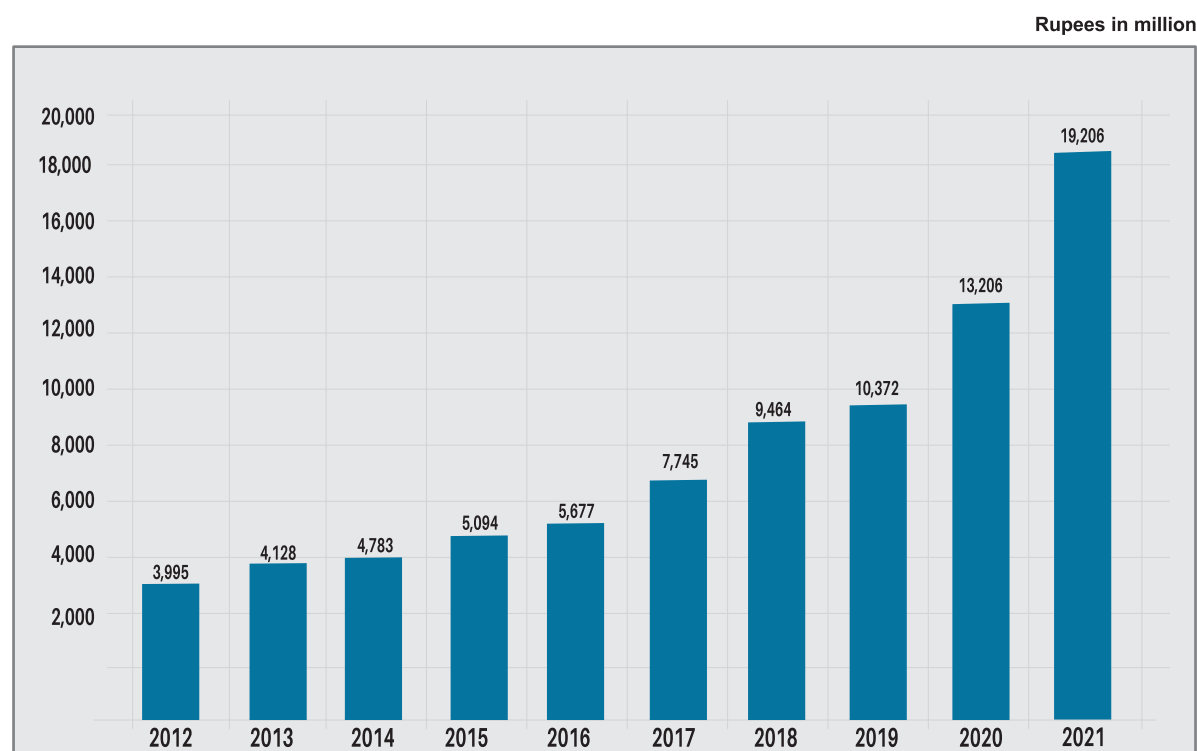
Rupees in million



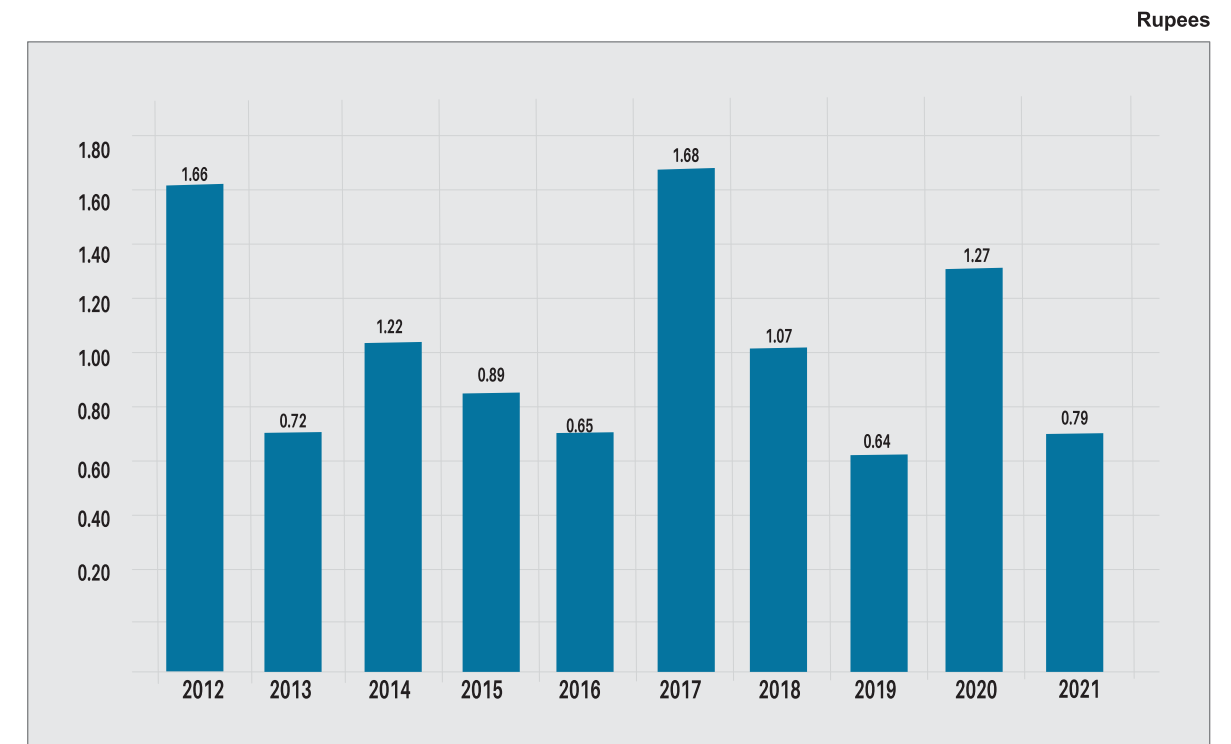
ASSETS



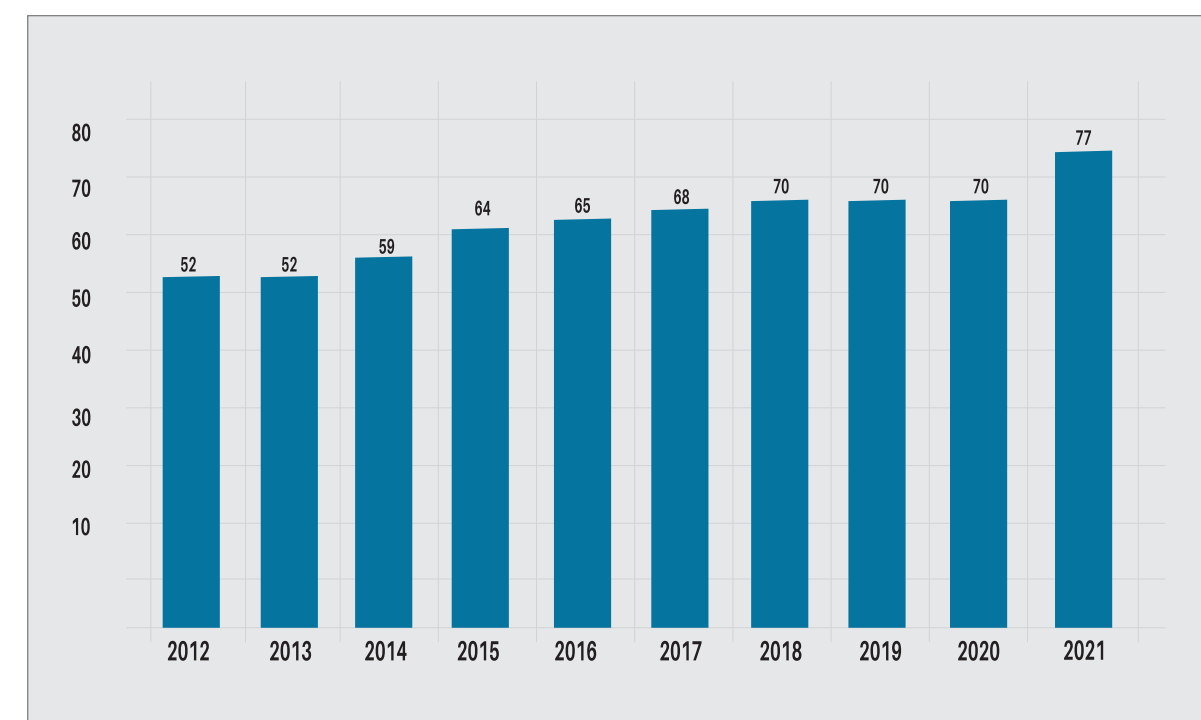
INVESTMENTS / PLACEMENTS



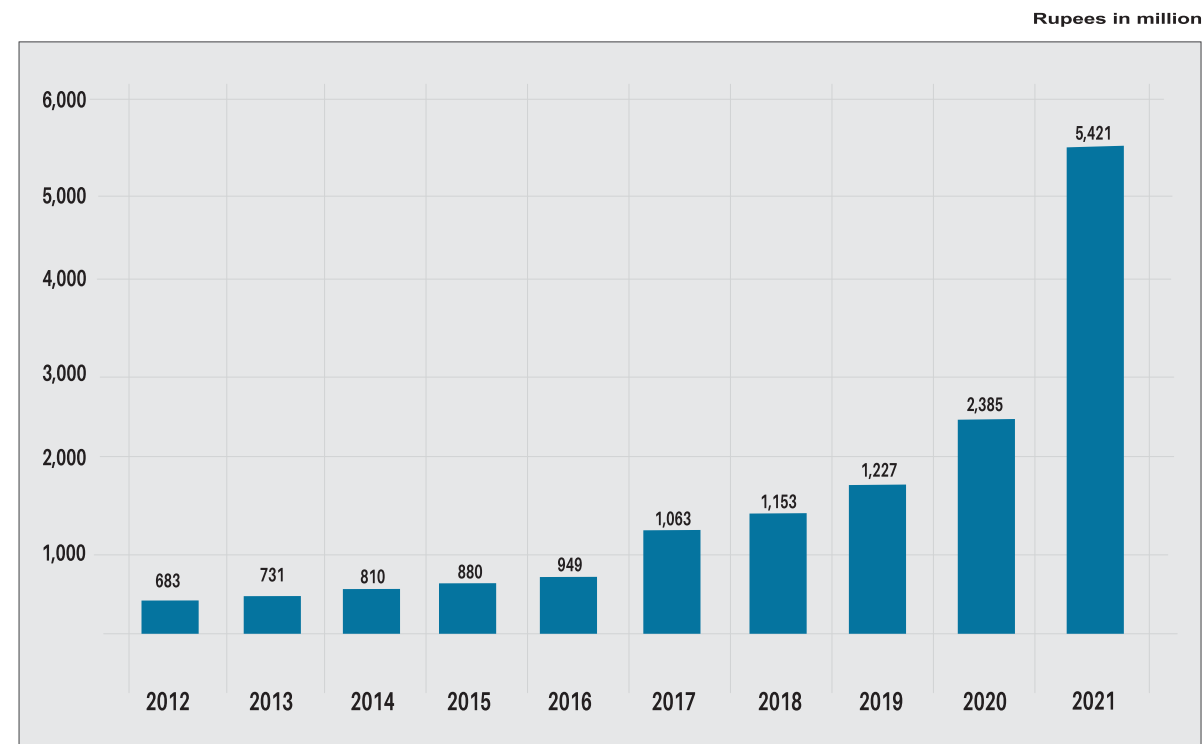
EARNING PER SHARE



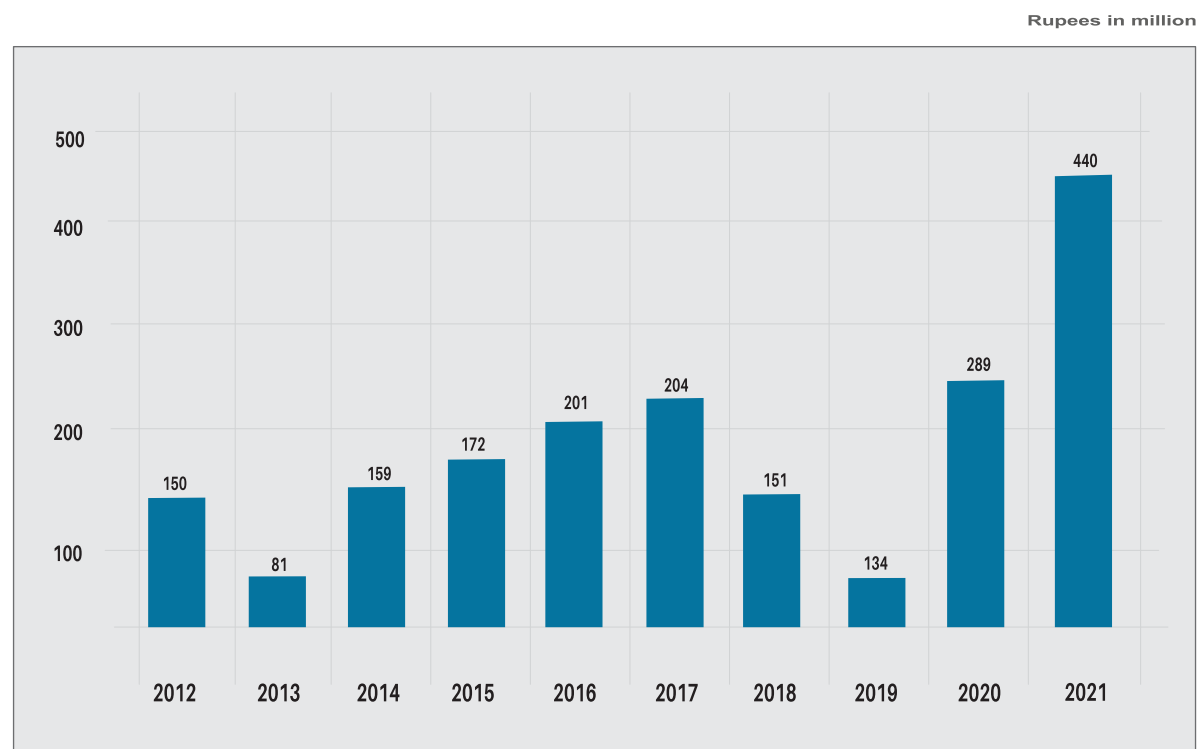
NO OF BRANCHES



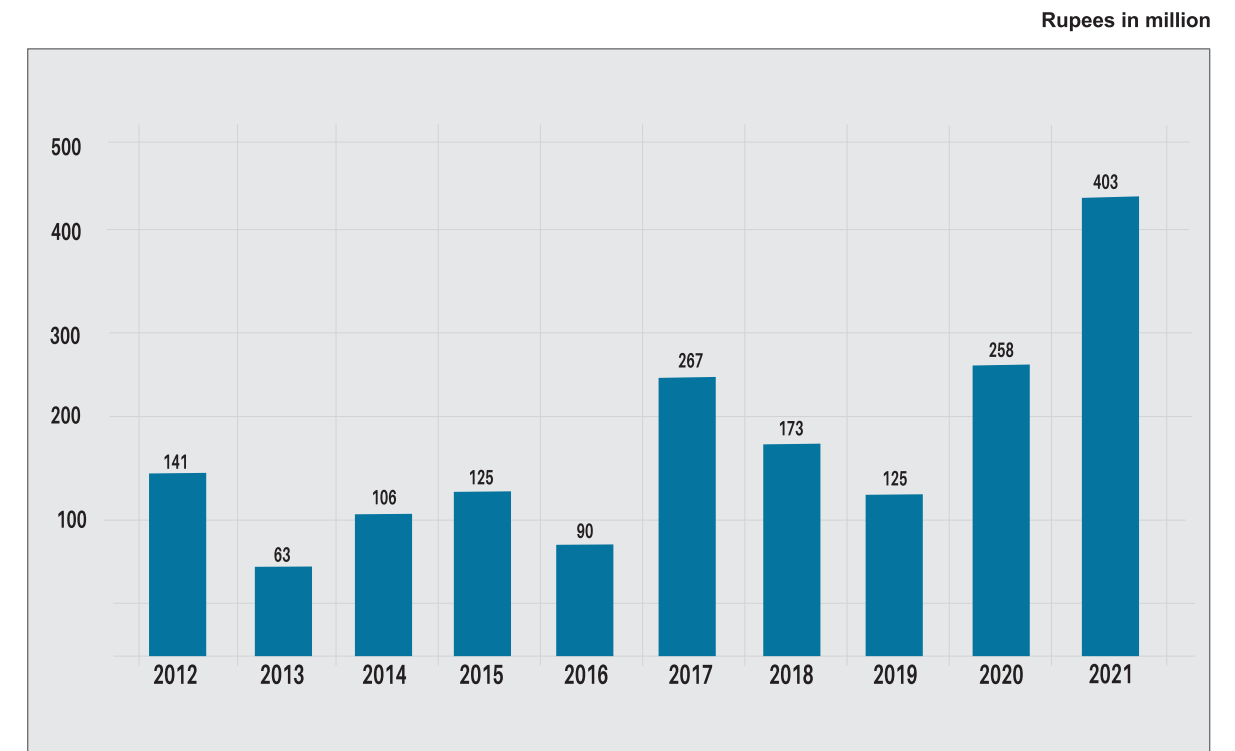
EQUITY



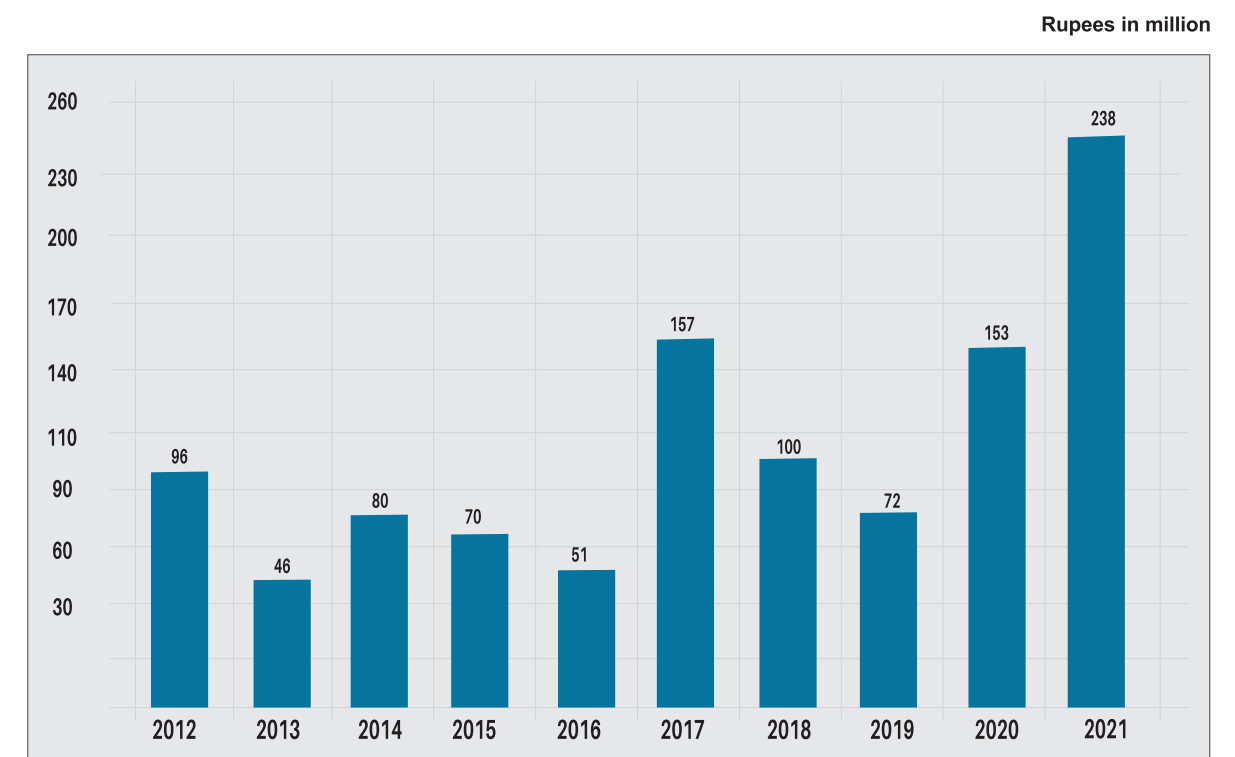
OPERATING PROFIT



PROFIT BEFORE TAX



PROFIT AFTER TAX



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 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 fulfilling of operational expenses of your business. Financial limits are available for your existing business/ planned expansion.

Auto Finance

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

Demand Finance

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

House Finance Commercial

Construction Finance for Commercial Building/ Shopping Malls

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



buildings/ plazas/ shops etc. on easy terms.

Health Care Services Finance

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

Tourism Promotion Finance

Purpose of this loan scheme is 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 development as well as other agricultural development activities.



ADVANCE SALARY SCHEME

Maximum up to Rs. 2,000,000/-

Permanent employees of Government/semi Government Departments Autonomous

Tenure: 48 Months



- اہم خصوصیات:**
- مارکیٹ میں سب سے کم ریٹ
 - تیز ترین پراسسنگ
 - فوری ادائیگی
 - لائف انشورنس کی سہولت موجود ہے۔
 - ماہانہ بنیادوں پر قرض کی واپسی
 - کوئی پوشیدہ چارجز نہیں
 - مدت قرض 4 سال تک

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..



گولڈ لون
سونارکھوائیں پیسے لے جائیں
سونے کا 65%
تک قرض کی سہولت حاصل کریں



- اہم خصوصیات:**
- انتہائی کم مارک اپ
 - تیز ترین پراسسنگ
 - کوئی پوشیدہ چارجز نہیں
 - فوری ادائیگی
 - بغیر جرمانے کے قبل از وقت ادائیگی کی سہولت
 - آسان شرائط





HOUSING FINANCE

MAKING YOUR DREAM HOME OWNERSHIP COME TRUE



SALIENT FEATURES

- ☒ Tenure up to 20 Years
- ☒ Finance Amount up to 10 Millions
- ☒ Affordable Mark- up Rate
- ☒ Applicant must be AJK Resident having Valid CNIC
- ☒ Clean eCIB or Data Check Report
- ☒ BAJK Account Holder
- ☒ The Property having a clear Title and Appropriate Building Plan
- ☒ Life and Property Insurance
- ☒ Partial/ Premature Adjustment Allowed

Eligibility:

Age: 18 to 60 Years

Minimum 3 Years in Service/ Business



CAR FINANCE

Minimum Down Payment 15% to 30%
(Maximum Loan Rs. 2.50 Million)

Eligibility:

AJK/ Pakistani National Identity Card Holders
Age: 18 to 60 Years
Minimum 3-Years in Service/Business

SALIENT FEATURES

- ➔ Only Brand New Car
- ➔ Tenure: 1 to 5 Years
- ➔ Affordable Mark- up Rate
- ➔ Partial and Premature Adjustment Allowed
- ➔ Insurance and Tracker Available
- ➔ No Hidden Charges
- ➔ Fast Processing



TARGET CUSTOMERS:

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



MOTORCYCLE LOAN

A DRIVE THAT IS WORTH IT!



SALIENT FEATURES

- | | |
|--|--|
| <input checked="" type="checkbox"/> Tenure up to 3 Years | <input checked="" type="checkbox"/> BAJK Account Holder |
| <input checked="" type="checkbox"/> Finance Amount up to 200,000/- | <input checked="" type="checkbox"/> Debt Service Ratio 30% |
| <input checked="" type="checkbox"/> Affordable Mark- up Rate | <input checked="" type="checkbox"/> Equal Monthly Installments |
| <input checked="" type="checkbox"/> Applicant must be AJK Resident having Valid CNIC | <input checked="" type="checkbox"/> Fast Track Processing |
| <input checked="" type="checkbox"/> Clean eCIB or Data Check Report | <input checked="" type="checkbox"/> No Hidden Charges |

TARGET CUSTOMERS:

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



HOME APPLIANCE FINANCE

Loan Amount up to Rs.200,000/-

SALIENT FEATURES

- | | |
|--|--|
| <input checked="" type="checkbox"/> Tenure up to 3 Years | <input checked="" type="checkbox"/> BAJK Account Holder |
| <input checked="" type="checkbox"/> Affordable Installment | <input checked="" type="checkbox"/> Equal Monthly Installments |
| <input checked="" type="checkbox"/> Low Mark up Rate | <input checked="" type="checkbox"/> Fast Track Processing |
| <input checked="" type="checkbox"/> Applicant must be AJK Resident having Valid CNIC | <input checked="" type="checkbox"/> No Hidden Charges |
| <input checked="" type="checkbox"/> Clean Credit History or Data Check Report | |



MAKING COMFORTABLE
LIVING POSSIBLE !



RUNNING FINANCE

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



SALIENT FEATURES

- | | |
|---|--|
| <input checked="" type="checkbox"/> Tenure up to 1 Year/ Renewable | <input checked="" type="checkbox"/> BAJK Account Holder |
| <input checked="" type="checkbox"/> Principal Lumpsum, Mark- up on Quarterly Basis | <input checked="" type="checkbox"/> Comprehensive Insurance of Stocks |
| <input checked="" type="checkbox"/> Security Hypothecation of Stock and Mortgage of Property or any other Liquid Security | <input checked="" type="checkbox"/> Applicant must be AJK Resident having Valid CNIC |
| <input checked="" type="checkbox"/> Affordable Mark- up Rate | <input checked="" type="checkbox"/> Fast Track Processing |
| <input checked="" type="checkbox"/> Clean eCIB or Data Check Report | <input checked="" type="checkbox"/> No Hidden Charges |

FINANCE WORKING CAPITAL
OF YOUR BUSINESS!



PERSONAL LOAN

سرمایہ محفوظ

سرمائے کا 95%
تک قرض کی سہولت حاصل کریں

اہم خصوصیات:

- ☒ مارکیٹ میں سب سے کم ریٹ
- ☒ ماہانہ / سہ ماہی بنیادوں پر قرض کی واپسی
- ☒ تیز ترین پراسسنگ
- ☒ کوئی پوشیدہ چارجز نہیں
- ☒ فوری ادائیگی
- ☒ انشورنس کی سہولت موجود
- ☒ مدت قرض 3 سال تک

ذاتی ضرورت کے لیے فوری قرضہ



Agriculture Finance

Agriculture Production Loan

For provision of Agri 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 development as well as other agricultural development activities.



SALIENT FEATURES

- | | |
|---|--|
| <input checked="" type="checkbox"/> Tenure up to 05 years | <input checked="" type="checkbox"/> BAJK Account Holder |
| <input checked="" type="checkbox"/> Principal Lumpsum, Mark- up on Quarterly Basis | <input checked="" type="checkbox"/> Applicant must be AJK Resident having Valid CNIC |
| <input checked="" type="checkbox"/> Security Hypothecation of Stock and Mortgage of Property or any other Liquid Security | <input checked="" type="checkbox"/> Fast Track Processing |
| <input checked="" type="checkbox"/> Affordable Mark- up Rate | <input checked="" type="checkbox"/> No Hidden Charges |
| <input checked="" type="checkbox"/> Clean eCIB or Data Check Report | |



DIRECTORS' REVIEW REPORT

Dear Shareholders,

It gives us immense pleasure to present the 16th Annual Report of Bank of Azad Jammu and Kashmir for the year ended 31st December 2021, together with Auditors' report thereon.

BANKING SECTOR PERFORMANCE

Pakistan's banking sector remained resilient with relatively stable solvency through COVID cycles. Banks show improved asset quality and better profitability. Recent increase in the SBP Policy Rate is expected to favor spreads albeit with a lag, as asset repricing takes time. However, the revaluation impact on longer duration fixed rate investments has adversely impacted the comprehensive income position. Banking sector deposits show an impressive growth of 17%, growing by PKR 3.0 trillion to PKR 20.97 trillion in CY21, led by strong M2 growth and higher remittances. Growth remained concentrated in transactional deposits as 82% of the new deposits comprised of current and saving accounts. These low-cost deposits have improved from 75.3% in Dec '20 to 76.0% in Sep '21. The SBP Policy Rate, which was slashed by 625bps in 2020 to counter COVID challenges, has been increased by 275bps in 2021 to 9.75% as the stimulus had overheated the economy to some extent. Irrespective of the shift in the cycle and new tax regime penalizing low ADR, most of the deposits were channeled into investments. During the period, IDRs increased to 70.9% in Sep '21 against 64.4% in Dec '20. Advances (net) also posted decent growth of 19% YoY in 2021 to PKR 10.15 trillion, following two slow years. This is reactive of improved economic activity and strong uptick in consumer loans, while concessional Financing schemes (TERF) also provided necessary stimulus. In 2HCY21, the Government imposed an additional tax of 2.5-5% on banks if ADR fell below 50%, pushing banks to improve the industry ADR ratio to 48.4% in CY21. Asset quality remained stable with Gross NPL Ratio falling from 9.2% in Dec '20 to 8.8% in Sep '21 neutralizing the fears of stress in the system. Similarly, NPL stock of PKR 877 billion remained adequately covered, for with the coverage ratio improving from 88.3% to 88.9%. Banking sector indicators remained stable throughout 2021 amid timely measures rolled out by the SBP and the Government. Higher interest rate, and the resultant improvement in banking spreads, is likely to help profit growth, and non-funded income is also expected to remain strong in 2022.

The SBP has set the stage for a new era for banking in Pakistan with the introduction of a Licensing and Regulatory Framework for digital banks in line with international best practices. The framework for digital banks is the latest in a series of recent initiatives by the SBP for the digitalization of banking and payment solutions in the country. It aims to enhance financial inclusion through affordable and cost-effective digital financial services and is part of the SBP's efforts to promote digital financial services in Pakistan. The SBP has decided to initially issue up to the digital banks' licenses, looking to attract players with a strong value proposition, robust technological infrastructure, sufficient financial



strength, technical expertise, and an effective risk management culture. The SBP is confident that this new initiative will play an important role in developing an inclusive and efficient financial ecosystem in Pakistan.

BANK'S OPERATING RESULTS AND FINANCIAL REVIEW

The highlights of the financial results for the year ended 31st December, 2021, are as follows:

Financial Position

	Rupees in Million	
	2021	2020
Shareholders' Equity	5,421	2,385
Total Deposits	17,271	13,700
Total Assets	23,551	16,819
Advances- net	2,815	2,246
Investments/Placements -net	19,206	13,206

Financial Performance

Net Markup Income	1,004	774
Non-Markup Income	36	34
Non-Markup Expenses	600	519
Operating Profit	440	289
Provisions and write-offs(net)	37	31
Profit before Tax	403	258
Profit after Tax	238	153
Basic and Diluted earnings per share - Rupees	0.79	0.67

The performance of the Bank in 2021 is witness to the extraordinary commitment of our employees who supported clients, while facing their own personal challenges. Performance growth of the Bank and its continuity with reflection of improvements in all major key indicators was encouraging during the year. Our results for the year 2021 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 2021, 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. 440 Million by the end of December, 2021. Likewise, deposits of the Bank which stood at Rs. 13.700 Billion in December, 2020 increased to Rs. 17.271 Billion by December, 2021. Inward Home Remittances increased to record level of Rs. 4.2 Billion by December, 2021.

NEW DEVELOPMENT DURING THE YEAR

M/S KPMG Taseer Hadi & CO (Chartered Accounts) was hired as consultant for vendor selection & system evaluation of BAJK Core Banking System) and Plan for complete digital transformation at the recommendations of the BOD's IT Committee and duly approved by the BOD. The objective of this engagement is to seek Consultancy services to study BAJK's existing business processes, IT Infrastructure & Security governance, prepare comprehensive digitalization transformation Plan and propose IT based Banking solution for Bank's future business, for at-least 10 years. According to scope of work, KPMG developed comprehensive Road Map for complete Digitalization of the Bank after reviewing the existing infrastructure, IT resources & their skill set and other segments fall under SBP's "Enterprise Technology Framework Governance & Risk Management (ETGRM) Framework". The entire activity/project consists on the four phases including Development of comprehensive Plan/Road Map for complete digital transformation of the Bank, Assistance in Vendor & System Evaluation and Selection, Assistance in Vendor Contract Review and assistance in implementation, Deployment of New Core Banking System. Agreement was signed on 1st February 2021 and Kick-off meeting was held at BAJK Head office on March 3rd, 2021. As per agreement, the first phase has already been completed and the process of vendor selection and Evaluation process is ongoing.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events that occurred subsequent to the date of the Balance Sheet that might require adjustments to the enclosed financial statements.

FUTURE OUTLOOK

We take pride in our core values which along with strong banking legacy continues to define and shape up to achieve the greater heights in the coming years through our skilled human resource, sound governance culture, optimum customer service, enhanced outreach and renewed commitment. Our future plans and strategies are determined to build our Bank as a sound Financial Institution of AJK and extend its network beyond and to become Bank of choice for the people. In doing our business we will struggle to observe the highest level of ethical standards, professional integrity, corporate governance and legal & regulatory compliance in all walks of our business operations.

The Bank will concentrate on promotion of socio-economic development of State and wellbeing of its people through its lending policies, programs, products and services. The Bank at apex level empowers the Credit Management Division to devise customized lending products and its execution as well as risk management framework, through:

- Expansion in quality lending with special emphasis on Consumer Financing, Tourism, SME and Health care. The overall increase in credit portfolio will be 51% as against the current 6% growth of the total banking sector in AJK.
- Enhancing outreach of the Bank by expanding network of branches by opening 10 more branches.
- Product innovation supporting business needs and socio economic conditions of the people of the state.
- Improved technology to remain corner stone of priorities for achieving operational efficiency, organizational effectiveness, better management, focus on growth and customer service.
- Strengthening compliance and risk management system for enhancing the depth of organization.

- Ensuring regulatory compliance in totality.

HUMAN RESOURCE MANAGEMENT

The quality of human resource is of paramount importance in banking. Performance management system and promotion policy based on merit have been implemented which will motivate the staff for peak performance. The Bank also encouraged the experienced candidates on merit in its recruitment process ensuring the authenticity/ effectiveness of operations /compliance of banking rules and regulations. The Bank started process of recruitment of Management Trainee Officers in three batches. These officers will be groomed and trained from Kashmir Institute of Management (KIM) who will not only strengthen the overall human resource base of the Bank but will also become backbone of succession management in future.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) refer to a business practice that involves participating or taking initiatives that benefits the social ecosystem in which organization operates. When a business operates in an environmentally, socially and economically responsible / transparent manner, it helps the organization succeed. The Bank being aware of its responsibilities towards the society as whole has taken initiatives to contribute towards the society. A specific budget was allocated towards CSR and related activities in 2021 which was utilized in form of contribution to some of well-deserved organizations, engaged in education, health, sports and development activities for the betterment of the Pakistani Society at large.

STATEMENTS UNDER SECTION 52(4) OF THE BANK'S BYLAWS 2007

The Board of Directors is fully cognizant of its responsibility under the Bank's Bye Laws 2007 and the Bank is fully compliant of all corporate and legal requirements.

ACKNOWLEDGEMENT

On behalf of the Board, we express sincere gratitude to our customers, business partners and shareholders for their patronage and trust. We would also like to express gratitude to the Honorable President and the Prime Minister of Azad Government of the State of Jammu and Kashmir for their continued patronage, support and for taking keen interest in patronizing BAJK.

The Board also sincerely appreciates the dedication, commitment and team work of all employees of the Bank who worked very hard to transform the Bank into a successful organization.

May Allah Almighty help us to continue our services and best efforts for our valued clients and well-being of people of the State of Azad Jammu and Kashmir AAMEEN.
For and on behalf of the Board of Directors.



Khawar Saeed
President/CEO



Abdul Majid Khan
Chairman

AUDITORS' REPORT

AUDIT

Verification

Finance



Yousuf Adil
Chartered Accountants

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

Tel: +92 (51) 87 34400-3
Fax: +92 (51) 8350602
www.yousufadil.com

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

OPINION

We have audited the financial statements of the Bank of Azad Jammu and Kashmir (the Bank), which comprise statement of financial position as at December 31, 2021, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes on equity and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement present fairly, in all material respect, the financial position of the Bank as at December 31, 2021 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 Standard on Auditing (ISAs). Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of the financial statement section of our report. We are independent of the Bank in accordance with the International Ethics Standard 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 Statement and Auditor's report thereon

Management is responsible for the other information. The other information comprises the information included 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 responsibilities is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statement 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 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 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 going

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited



Yousuf Adil
Chartered Accountants

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 operation, 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 responsible for the audit of the financial statements

Our objective are to obtain reasonable assurance about whether the financial statements as whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's reporting 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 omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, base 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 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 is Shahzad Ali.

Yousuf Adil
Chartered Accountants

Islamabad

Date: 27 MAY 2022

FINANCIAL STATEMENTS

THE BANK OF AZAD JAMMU AND KASHMIR STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

		2021	2020
Note		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	5	4,447,089	3,454,865
Balances with other banks	6	14,774,633	9,825,491
Lendings to financial institutions		-	-
Investments	7	183,775	185,845
Advances	8	2,815,313	2,246,653
Fixed assets	9	253,886	230,026
Intangible assets	10	-	-
Deferred tax assets	11	30,011	26,407
Other assets	12	1,046,611	850,127
		23,551,318	16,819,414
LIABILITIES			
Bills payable	13	158,180	67,414
Borrowings		-	-
Deposits and other accounts	14	17,270,623	13,700,340
Lease liabilities against right of use assets	15	138,519	132,911
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	563,110	534,159
		18,130,432	14,434,824
NET ASSETS		5,420,886	2,384,590
REPRESENTED BY			
Share capital	17	5,142,903	2,129,911
Reserves	18	269,037	-
Deficit on revaluation of assets	19	(13,797)	(12,451)
Unappropriated profit		22,743	267,130
		5,420,886	2,384,590

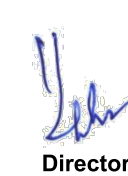
CONTINGENCIES AND COMMITMENTS

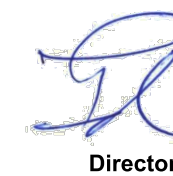
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The annexed notes 1 to 40 form an integral part of these financial statements.


President and
Chief Executive Officer


Chief Financial Officer


Director

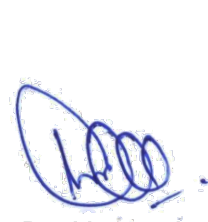



Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 -----Rupees in '000-----	2020
Mark-up / return / interest earned	21	1,672,565	1,511,546
Mark-up / return / interest expensed	22	668,344	737,253
Net mark-up / interest income		1,004,221	774,293
NON MARK-UP / INTEREST INCOME			
Fee and commission income	23	23,918	18,668
Dividend income		6,924	9,934
Other income	24	4,799	5,696
Total non-markup / interest income		35,641	34,298
Total income		1,039,862	808,591
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	25	600,056	519,386
Workers welfare fund		-	-
Other charges		-	-
Total non-markup / interest expenses		600,056	519,386
Profit before provisions		439,806	289,205
Provisions and write offs - net	26	36,963	31,379
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		402,843	257,826
Taxation	27	(165,201)	(105,138)
PROFIT AFTER TAXATION		237,642	152,688
		Rupees Restated	
Basic and diluted earnings per share	28	0.79	0.67




The annexed notes 1 to 40 form an integral part of these financial statements.


 President and Chief Executive Officer
 
 Chief Financial Officer
 
 Director
 
 Director
 
 Director

THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 -----Rupees in '000-----	2020
Profit after taxation for the year	237,642	152,688
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus on revaluation of investments - net	(2,070)	7,445
Related deferred tax expense	724	(2,606)
	(1,346)	4,839
Total comprehensive income	236,296	157,527

The annexed notes 1 to 40 form an integral part of these financial statements.


 President and Chief Executive Officer
 
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 Director
 
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 Director

THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Surplus / (deficit) on revaluation	Unappropriated Profit	Total	
	Rupees in '000				
Balance as at January 01, 2020	1,027,192	(17,290)	217,161	-	1,227,063
Profit after taxation for the year ended December 31, 2020	-	-	152,688	-	152,688
Other comprehensive income					
Surplus on revaluation of available-for-sale securities - net of tax	-	4,839	-	-	4,839
Transactions with owners, recorded directly in equity					
Issue of shares against cash - note 17.5	1,000,000	-	-	-	1,000,000
Issue of bonus shares - note 17.5	102,719	-	(102,719)	-	-
Balance as at January 01, 2021	2,129,911	(12,451)	267,130	-	2,384,590
Profit after taxation for the year ended December 31, 2021	-	-	237,642	-	237,642
		-	(269,037)	269,037	
Other comprehensive income					
Surplus on revaluation of available-for-sale securities - net of tax	-	(1,346)	-	-	(1,346)
Transactions with owners, recorded directly in equity					
Issue of shares againsts cash - note 17.5	2,800,000	-	-	-	2,800,000
Issue of bonus shares - note 17.5	212,992	-	(212,992)	-	-
Closing balance as at December 31, 2021	5,142,903	(13,797)	22,743	269,037	5,420,886

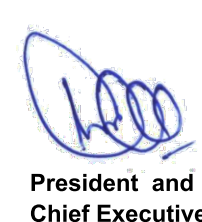




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 President and Chief Executive Officer
 Chief Financial Officer
 Director
 Director
 Director

THE BANK OF AZAD JAMMU AND KASHMIR
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

		2021	2020
Note		-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES			
		402,843	257,826
Profit before taxation		(6,924)	(9,934)
Less: Dividend income		395,919	247,892
Adjustments:			
Depreciation	9.2	52,957	52,820
Provision and write-offs		36,963	31,379
Interest expense on lease liability	22	13,095	16,034
Provision for gratuity		16,814	11,939
Provision for leave encashment		11,669	26,413
Provision for bonus		23,000	20,144
Gain on sale of fixed assets	24	(175)	(1,030)
		154,323	157,699
		550,242	405,591
(Increase)/ decrease in operating assets			
Advances		(605,623)	(241,206)
Others assets (excluding advance taxation)		(196,484)	(77,210)
		(802,107)	(318,416)
Increase/ (decrease) in operating liabilities			
Bills payable		90,766	46,266
Deposits		3,570,283	1,826,805
Other liabilities (excluding current taxation)		(2,013)	119,491
		3,659,036	1,992,562
		3,407,171	2,079,737
Interest paid on lease liability		(13,095)	(16,034)
Income tax paid		(137,117)	(75,047)
Net cash generated from operating activities		3,256,959	1,988,656
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		-	-
Net investments in held-to-maturity securities		-	-
Net proceeds from placements with banks		(5,525,819)	5,921,844
Dividend income received		6,924	9,934
Investments in operating fixed assets		(51,075)	(16,392)
Proceeds from sale of fixed assets	9.4	175	1,030
Net cash generated from / (used in) investing activities		(5,569,795)	5,916,416
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		2,800,000	1,000,000
Principal paid against lease liability		(20,134)	(17,050)
Dividend paid		-	-
Net cash generated from / (used) in financing activities		2,779,866	982,950
Increase / (decrease) in cash and cash equivalents		467,030	8,888,022
Cash and cash equivalents at beginning of the year		10,733,323	1,845,301
Cash and cash equivalents at end of the year	29	11,200,353	10,733,323

The annexed notes 1 to 40 form an integral part of these financial statements.

 President and Chief Executive Officer
 Chief Financial Officer
 Director
 Director
 Director

THE BANK OF AZAD JAMMU AND KASHMIR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1 STATUS AND NATURE OF BUSINESS

The Bank of Azad Jammu and Kashmir (the Bank) is a public unlisted Bank which was incorporated in 2006 under the Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir and Behood Fund and Group Insurance - Government autonomous body own 100% percent of ordinary shares of the Bank as on December 31, 2021 in proportion of 97.59% and 2.49% (2020: 94.7% and 5.3%) respectively.

The Bank has 77 branches (2020: 70 branches) in Azad Jammu and Kashmir.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No 02 dated January 25, 2018, the Act and its Bye-Laws 2007 (the Bye-Laws).

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pak Rupee, which is the Bank's functional and presentation currency.

2.1 STATEMENT OF COMPLIANCE

Bye-Laws of the Bank require that the statement of financial position and profit and loss account of the Bank shall be drawn up in conformity with the rules and regulation 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 Standard (IFRS) issued by the International Accounting Standards Board (IASB) as are notified by SECP under the Companies Act, 2017; and

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

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

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

SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 has directed banks in Pakistan to implement IFRS 9 with effect from January 01, 2021. Though keeping in view of COVID-19 impact and banking industry representations, SBP vide its BPRD Circular No. 24 dated July 05, 2021 has deferred the implementation of IFRS 9 from January 01, 2021 to January 01, 2022. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank is currently evaluating the impact of application of IFRS 9 on its financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Bank's operation 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
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.	
The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them.	
	Effective from accounting period beginning on or after
Amendments to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provision, Contingent Liabilities and Contingent Assets' - Onerous Contracts - cost of fulfilling a contract	January 01, 2022
International Financial Reporting Standard-9 "Financial Instruments"	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2022
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2022
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2022
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred Indefinitely
State Bank of Pakistan vide its BPRD Circular No. 24 of 2021 dated July 05, 2021 has directed banks in Pakistan to implement IFRS 9 with effect from 01 January 2021.	
2.3.1 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	
- IFRS 1 - First Time Adoption of International Financial Reporting Standards	
- IFRS 17 - Insurance Contracts	

2.4 Use of critical accounting estimates and judgments

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

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

3 BASIS OF MEASUREMENT

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Investments

4.2.1 Classification

Investments are classified as follows:

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.

4.2.2 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.

4.2.3 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-for-trading are included in the cost of the investments.

4.2.4 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.

4.2.5 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.

4.3 Advances

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

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

4.4 Fixed assets and depreciation

Capital work-in-progress

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

Tangible assets

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

Depreciation

Depreciation is computed on monthly basis over the estimated useful life of the related assets on monthly basis. The cost of assets is depreciated on a straight line basis. Depreciation is charged for the full month of availability for use of an asset while no depreciation is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

In making estimates of the depreciation, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The useful life and the residual value are reviewed at each financial year end and any change in these estimates is adjusted prospectively.

4.5 Intangible assets

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

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

4.6.1 Right of-use assets

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

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

4.6.2 Lease liability against right-of-use assets

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

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

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

4.7 Impairment

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

4.8 Deposits

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

4.9 Taxation

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

Current

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

Deferred

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

4.10 Staff retirement benefits

Gratuity scheme

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

Provident fund

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

Leave encashment

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

4.11 Revenue recognition

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

Fee, commission and brokerage income is recognised on an accrual basis.

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

4.12 Government grant

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

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

4.13 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistan Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the date of the statement of financial position. There have been no foreign currency transactions during the year.

4.14 Provisions

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

4.15 Off setting

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

4.16 Segment reporting

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

4.16.1 Business segment

Retail banking

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

Commercial banking

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

Payment and settlement

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

Agency service

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

4.16.2 Geographical segments

The Bank only operates in Azad Jammu and Kashmir.

4.17 Earning per share

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

5 CASH AND BALANCES WITH TREASURY BANKS

Note	2021		2020	
	-----Rupees in '000-----			
In hand				
Local currency		199,729		130,520
With National Bank of Pakistan in				
Local currency current account		36,676		32,358
Local currency deposit account	5.1	40,684		21,662
Local currency term deposit accounts	5.2	4,170,000		3,270,000
		4,247,360		3,324,020
Prize bonds		-		325
		4,447,089		3,454,865

5.1 This represents deposit accounts carrying markup rates ranging from 6.5% to 7.5% (2020:6% to 8%) per annum.

5.2 This represents term deposits carrying markup rates ranging from 7.07% to 7.76 % (2020: 6.7% to 12.4%) per annum having maturities within three months.

6 BALANCES WITH OTHER BANKS

Note	2021		2020	
	-----Rupees in '000-----			
In Pakistan (Azad Jammu and Kashmir)				
In current account		331,776		182,289
In deposit account	6.1 & 6.2	14,442,857		9,643,202
		14,774,633		9,825,491

6.1 This include saving deposit accounts amounting Rs. 1,257,448 thousands (2020: Rs. 582,652 thousands) carrying markup rates ranging from 6.5% to 7.5% (2020: 6% to 8%) per annum.

6.2 This include term deposits carrying markup at rates ranging between 7.1% to 20% (2020: 6.7% to 20%) per annum. Term deposits have maturities ranging from 1 month to 3 years except a term deposit for an amount of Rs. 500 million placed with a bank maturing in 2029.

7 INVESTMENTS**7.1 Investments by type**

	2021				2020			
	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
-----Rupees in '000-----								
Available-for-sale securities								
Units of open ended mutual funds - note 7.5	205,000	-	(21,225)	183,775	205,000	-	(19,155)	185,845
Held-to-maturity securities								
Term finance certificates - note 7.3	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total Investments	254,940	(49,940)	(21,225)	183,775	254,940	(49,940)	(19,155)	185,845

7.2 Investments by segments**Units of open ended mutual funds**

Units of open ended mutual funds	205,000	-	(21,225)	183,775	205,000	-	(19,155)	185,845
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Non Government debt Securities

Unlisted								
Term finance certificates	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total investments	254,940	(49,940)	(21,225)	183,775	254,940	(49,940)	(19,155)	185,845

7.3 Particulars of held to maturity investment

No. of certificates		Name of company	Redeemable value per certificate (Rupees)	2021	2020	Credit rating
2021	2020			Rupees in '000		
10,000	10,000	Pace Pakistan Limited	4.994	49,940	49,940	Un-rated

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

7.4 Particulars of provision for diminution in value of investments

Opening balance	49,940	49,940
Charge for the year	-	-
Closing balance	49,940	49,940

7.4.2 Particulars of provision against debt securities

Category of classification	2021	2020
	Non performing Investments	Non performing Investments
	Provision	Provision
-----Rupees in '000-----		
Domestic Loss	49,940	49,940

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

	2021				2020			
	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)
Units of open ended mutual funds								
National Investment Unit Trust Fund	1,313,081	100,000	91,207	69.46	1,313,081	100,000	91,167	69.43
NIT Government Bond Fund	3,184,047	30,000	32,502	10.21	3,184,047	30,000	31,865	10.01
NIT Islamic Equity Fund	4,329,197	50,000	36,885	8.52	4,329,197	50,000	39,179	9.05
MCB Dynamic Cash Fund	207,730	25,000	23,181	111.59	213,822	25,000	23,634	110.53
		205,000	183,775			205,000	185,845	

8 ADVANCES

	Performing		Non performing		Total	
	2021	2020	2021	2020	2021	2020
----- Rupees in '000 -----						
Loans, cash credits, running finances, etc.	2,866,660	2,240,135	136,739	209,857	3,003,399	2,449,992
Advances - gross	2,866,660	2,240,135	136,739	209,857	3,003,399	2,449,992
Provision against advances						
- Specific	-	-	(108,487)	(147,620)	(108,487)	(147,620)
- General	(79,599)	(55,719)	-	-	(79,599)	(55,719)
	(79,599)	(55,719)	(108,487)	(147,620)	(188,086)	(203,339)
Advances - net of provision	2,787,061	2,184,416	28,252	62,237	2,815,313	2,246,653

	2021	2020
8.1 Particulars of advances (Gross)	---- Rupees in '000 ---	
In local currency	3,003,399	2,449,992

8.2 Advances include Rs. 188,955 thousand (2020: 209,857 thousand) which have been placed under non-performing status as detailed below:-

	2021		2020	
Category of classification	Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----				
Domestic				
Other assets especially mentioned	-	-	748	-
Substandard	4,627	742	17,380	2,452
Doubtful	518	259	7,769	1,141
Loss	131,594	107,486	183,960	144,027
Total	136,739	108,487	209,857	147,620

8.3 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	147,620	55,719	203,339	130,093	41,867	171,960
Charge for the year	37,669	23,880	61,548	37,539	13,852	51,391
Reversals	(24,586)	-	(24,586)	(20,012)	-	(20,012)
	13,083	23,880	36,962	17,527	13,852	31,379
8.4	(52,216)	-	(52,216)	-	-	-
Closing balance	108,487	79,599	188,086	147,620	55,719	203,339

8.3.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	108,487	79,599	188,086	147,620	55,719	203,339
	108,487	79,599	188,086	147,620	55,719	203,339

9 FIXED ASSETS

Note	2021	2020
	-----Rupees in '000 -----	
9.1 Capital work-in-progress	10,436	8,101
9.2 Property and equipment	243,450	221,925
	253,886	230,026

9.1 Capital work-in-progress

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

	2021	2020
	-----Rupees in '000 -----	
Advances to supplier	10,436	8,101

9.2 Property and equipment

	2021					
	Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers
At January 1, 2021						
Cost	40,400	14,407	55,286	80,656	31,259	37,464
Accumulated depreciation	-	(11,104)	(40,464)	(52,161)	(23,282)	(31,864)
Net book value	40,400	3,303	14,822	28,495	7,977	5,600
Year ended December 2021						
Opening net book value	40,400	3,303	14,822	28,495	7,977	5,600
Additions	-	-	9,774	11,205	3,349	8,999
Disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Depreciation charge	-	(1,275)	(6,136)	(7,648)	(3,140)	(2,334)
Closing net book value	40,400	2,028	18,460	32,052	8,186	12,265
At December 31, 2021						
Cost	40,400	14,407	65,060	91,861	34,608	46,463
Accumulated depreciation	-	(12,379)	(46,600)	(59,809)	(26,422)	(34,198)
Net book value	40,400	2,028	18,461	32,052	8,186	12,265
Rate of depreciation (percentage)	-	10	20	10-20	20	20
						6% - 33%

	2020					
	Free hold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers
At January 1, 2020						
Cost	40,400	14,407	53,679	78,503	28,538	34,722
Accumulated depreciation	-	(9,684)	(33,549)	(44,581)	(20,217)	(29,150)
Net book value	40,400	4,723	20,130	33,922	8,321	5,572
Year ended December 2020						
Opening net book value	40,400	4,723	20,130	33,922	8,321	5,572
Additions	-	-	1,607	2,153	2,721	2,742
Disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Depreciation charge	-	(1,420)	(6,915)	(7,580)	(3,065)	(2,714)
Closing net book value	40,400	3,303	14,822	28,495	7,977	5,600
At December 31, 2020						
Cost	40,400	14,407	55,286	80,656	31,259	37,464
Accumulated depreciation	-	(11,104)	(40,464)	(52,161)	(23,282)	(31,864)
Net book value	40,400	3,303	14,822	28,495	7,977	5,600
Rate of depreciation (percentage)	-	10%	20%	10%-20%	20%	20%
						6% - 33%

- 9.2.1** Property and equipment includes cost of Rs. 5,485 thousand (2020: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2020: Rs. 5,485 thousand) in respect of assets donated by the Government of Azad Jammu and Kashmir.
- 9.3** The total cost of fixed assets of Rs 112,624 thousand (2020: Rs. 92,912 thousand) having zero book value on which no depreciation was charged during the year.

9.4 Detail of disposals of operating fixed assets

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale proceeds
	Rupees '000			
2021				
Vehicles	1,749	1,749	-	175
2020				
Furniture and fixture	1,525	1,525	-	1,030

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

	2021	2020
	Rupees in '000	
Buildings & Lease hold improvements	26,520	14,838
Furniture and fixtures	22,847	19,269
Office equipments	15,025	13,175
Computer equipments	24,593	24,593
Vehicles	23,639	21,037
	112,624	92,912

10 INTANGIBLE ASSETS

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

11 DEFERRED TAX ASSETS

	2021			
	At January 1 2021	Recognised in P&L A/C	Recognised in OCI	At December 31 2021
	Rupees in 000			
Deductible temporary differences on				
- Deficit on revaluation of investments	6,704	-	724	7,428
- Provision against customer claims	3,101	-	-	3,101
- Provision against receivable from Kashmir Council	1,685	-	-	1,685
- Lease liabilities against right of use assets	46,519	1,963	-	48,482
- Provision against non-performing advances	-	350	-	350
	58,009	2,313	724	61,046
Taxable temporary differences on				
-Accelerated tax depreciation	31,602	567	-	31,035
	26,407	2,880	724	30,011

	2020		
	At January 1 2020	Recognised in P&L A/C	At December 31 2020
	-----Rupees in '000-----		
Deductible temporary differences on			
- Deficit on revaluation of investments	9,310	-	6,704
- Provision against customer claims	3,101	-	3,101
- Provision against receivable from Kashmir Council	1,685	-	1,685
- Lease liabilities against right of use assets	-	46,519	46,519
	14,096	46,519	58,009
Taxable temporary differences on			
- Accelerated tax depreciation	8,330	(39,932)	31,602
	22,426	6,587	26,407

12 OTHER ASSETS

	Note	2021 -----Rupees in '000-----	2020
Income/ mark-up accrued in local currency - net of provision	12.1	1,040,052	840,757
Advances, deposits, advance rent and other prepayments		419	3,206
Advance taxation		-	-
Branch adjustment account		-	-
Stationery and stamps in hand		4,322	3,526
Others		6,633	7,453
		1,051,426	854,942
Less: Provision held against other assets	12.2	(4,815)	(4,815)
Other assets (net of provision) - total		1,046,611	850,127

12.1 This balance has been arrived at after adjusting interest in suspense account of Rs. 128,011 thousand (2020: Rs. 106,721 thousand).

	Note	2021 -----Rupees in '000-----	2020
12.2 Provision held against other assets			
Receivable from Kashmir Council	12.3	4,815	4,815

12.3 Movement in provision held against other assets

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

13 BILLS PAYABLE

In Pakistan	158,180	67,414
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14 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	-----Rupees in '000-----					
Customers						
Current deposits	5,004,027	-	5,004,027	3,645,063	-	3,645,063
Savings deposit	8,090,461	-	8,090,461	6,821,386	-	6,821,386
Term deposits	4,062,072	-	4,062,072	2,950,163	-	2,950,163
Others	114,063	-	114,063	283,728	-	283,728
	17,270,623	-	17,270,623	13,700,340	-	13,700,340

14.1 Composition of deposits

	2021 -----Rupees in '000-----	2020
- Individuals	8,765,471	7,978,416
- Government	8,332,479	5,439,545
- Private sector	172,673	282,379
	17,270,623	13,700,340

15 LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS

	2021 -----Rupees in '000-----	2020
Lease liabilities included in the statement of financial position	138,519	132,911
of which are:		
Current lease liability	22,537	17,969
Non current lease liability	115,982	114,942
	138,519	132,911

Maturity analysis - contractual undiscounted cashflows

Less than one year	37,586	33,572
One to five years	122,234	133,419
More than five years	31,910	21,000
Total undiscounted lease liabilities	191,730	187,991

15.1 The Lease Contracts are signed by the Bank for the premises of its branches. The Terms of lease contracts range from 3 years to 15 years. The internal borrowing rates used for discounting of lease cashflows range 7.67% to 14.51%.

16 OTHER LIABILITIES

Mark-up/ return/ interest payable in local currency	16.1	247,452	219,505
Accrued expenses		4,149	3,097
Income tax payable		64,935	33,971
Branch adjustment account		102,067	159,152
Provision for bonus to employees		24,001	20,000
Provision against customer claims		8,861	8,861
Leave encashment		48,242	50,814
Education cess		19,186	11,173
Others		44,217	27,586
		563,110	534,159

16.1 It includes an amount of Rs. 100,571 thousand (2020: Rs. 70,907 thousand) on account of interest payable to related parties.

17 SHARE CAPITAL**17.1 Authorized capital**

2021	2020		2021	2020
Number of shares			----- Rupees in '000 -----	
<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>

17.2 Issued, subscribed and paid up share capital

2021	2020		2021	2020
Number of shares		Ordinary shares	----- Rupees in '000 -----	
411,794,261	131,794,261	Fully paid in cash	4,117,942	1,317,942
97,480,900	76,181,739	Issued as bonus shares	974,809	761,817
5,015,200	5,015,200	Issued for consideration other than cash	50,152	50,152
<u>514,290,320</u>	<u>212,991,200</u>		<u>5,142,903</u>	<u>2,129,911</u>

17.3 During the last year, the Government of Azad Jammu and Kashmir allocated an amount of Rs. 4,000,000 thousand to the Bank, out of which, the Bank had received an amount of Rs. 1,000,000 thousands till the last year end as an equity injection. During the year, the Bank received an amount of Rs. 2,800,000 thousands from the Government of Azad Jammu and Kashmir and has issued 280 million shares of Rs. 10 each to the Government of Azad Jammu and Kashmir accordingly.

17.4 The Government of Azad Jammu and Kashmir and, Behbood Fund & Group Insurance - Government autonomous body own 100% percent of ordinary shares of the Bank as on December 31, 2021 in proportion of 97.59% and 2.41% (2020: 94.7% and 5.3%) respectively.

17.5 Reconciliation of number of ordinary shares

	Note	2021	2020	2021	2020
		Number of shares		----- Rupees in '000 -----	
Shares at the beginning of the year		212,991,200	102,719,274	2,129,911	1,027,192
Bonus shares issued during the year	16.6	21,299,120	10,271,926	212,992	102,719
Shares issued against cash consideration		280,000,000	100,000,000	2,800,000	1,000,000
Shares at the year end		<u>514,290,320</u>	<u>212,991,200</u>	<u>5,142,903</u>	<u>2,129,911</u>

17.6 During the year the bank has issued bonus shares 21,299,120 (2020: 10,271,926) amounting to Rs. 212,992 thousand (2020: Rs. 102,719 thousand) to its shareholders.

18 This represents statutory reserve voluntarily created by the Bank in accordance with Section 21 () of Banking Companies Ordinance, 1962. The Bank has transferred 20% of profits since the incorporation to the reserve account during the year.

19 DEFICIT ON REVALUATION OF ASSETS

	Note	2021	2020
		----- Rupees in '000 -----	
Deficit on revaluation of:			
- Available for sale securities	7.1	(21,225)	(19,155)
Deferred tax on deficit on revaluation of:			
- Available for sale securities		<u>7,429</u>	<u>6,704</u>
		<u>(13,797)</u>	<u>(12,451)</u>

20 CONTINGENCIES AND COMMITMENTS

		2021	2020
		----- Rupees in '000 -----	
Guarantees	20.1	19,586	49,622
Commitments	20.2	52,484	79,180
Bills for collection	20.3	58,235	14,601
		<u>130,305</u>	<u>143,403</u>

	Note	2021	2020
		----- Rupees in '000 -----	
20.1 Guarantees			
Financial guarantees		<u>19,586</u>	<u>49,622</u>
20.2 Commitments			
Loan sanctioned but not disbursed		23,153	33,319
Unavailed running finance		<u>29,331</u>	<u>45,861</u>
		<u>52,484</u>	<u>79,180</u>
20.3 Bills for collection	20.3.1	<u>58,235</u>	<u>14,601</u>

20.3.1 Bills for collection represent bills drawn in favour of various financial institutions on behalf of the Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

	Note	2021	2020
		----- Rupees in '000 -----	
21 MARK-UP/ RETURN/ INTEREST EARNED			
On:			
a) Loans and advances	21.1	387,750	276,674
b) Balances with banks		<u>1,284,815</u>	<u>1,234,872</u>
		<u>1,672,565</u>	<u>1,511,546</u>

21.1 This includes an amount of Rs.1,351 thousands (2020: Rs. 2,330 thousand) on account of interest earned on advance given to a related party.

	Note	2021	2020
		----- Rupees in '000 -----	
22 MARK-UP/ RETURN/ INTEREST EXPENSED			
On:			
Deposits	22.1	655,249	721,219
Lease liability		<u>13,095</u>	<u>16,034</u>
		<u>668,344</u>	<u>737,253</u>

22.1 This includes an amount of Rs. 219,803 thousand (2020: Rs. 205,873 thousand) on account of interest expense on related party deposits.

		2021	2020
		----- Rupees in '000 -----	
23 FEE AND COMMISSION INCOME			
Branch banking customer fees		2,861	2,176
Commission on cheques books		4,754	4,026
Credit related fees		6,055	5,540
Commission on guarantees		535	831
Commission on remittances		1,463	794
Commission on utility bills		5,229	4,607
Postage		587	506
Others		2,434	188
		<u>23,918</u>	<u>18,668</u>

	Note	2021 -----Rupees in '000-----	2020
24 OTHER INCOME			
Gain on sale of fixed assets		175	1,030
Site visits and fee collection charges		4,620	4,666
Others		4	-
		<u>4,799</u>	<u>5,696</u>
25 OPERATING EXPENSES			
Total compensation expense	25.1	362,681	321,490
Property expense			
Rent & taxes		16	385
Insurance		1,206	1,170
Utilities cost		21,765	17,895
Security (including guards)		31,717	29,911
Repair & maintenance (including janitorial charges)		10,067	8,907
Depreciation on right of use asset		30,209	29,049
Depreciation		7,345	7,952
		<u>102,325</u>	<u>95,269</u>
Information technology expenses			
Software maintenance		17,895	13,857
Hardware maintenance		2,516	2,031
Depreciation		5,396	5,797
Network charges		7,095	6,185
		<u>32,902</u>	<u>27,870</u>
Other operating expenses			
Directors' fees and allowances		3,568	3,858
Legal & professional charges		6,099	399
Travelling & conveyance		11,296	6,078
Depreciation		10,007	10,022
Entertainment		13,832	9,005
Training & development		132	342
Postage & courier charges		3,638	3,522
Communication		4,209	3,579
Stationery & printing		13,013	11,198
Marketing, advertisement & publicity		3,406	1,324
Auditors remuneration	25.2	2,415	2,178
Others		30,533	23,252
		<u>102,148</u>	<u>74,757</u>
		<u>600,056</u>	<u>519,386</u>
25.1 Total compensation expense			
		2021 -----Rupees in '000-----	2020
Fees and allowances etc		170,492	159,262
Managerial remuneration		-	-
i) Fixed		-	-
ii) Variable - cash bonus		29,920	25,386
Contribution to defined contribution plan		7,296	6,304
Contribution to defined gratuity fund		16,814	11,939
Rent & house maintenance		60,294	52,082
Utilities		13,336	11,543
Medical		14,669	14,487
Conveyance		49,860	40,487
		<u>362,681</u>	<u>321,490</u>

	Note	2021 -----Rupees in '000-----	2020
25.2 Auditors' remuneration			
Audit fee		2,205	1,980
Out-of-pocket expenses		210	198
		<u>2,415</u>	<u>2,178</u>
26 PROVISIONS AND WRITE OFFS - NET			
Charge of provisions against loans & advances - net	8.3	36,963	31,379
Insurance claims received		-	-
		<u>36,963</u>	<u>31,379</u>
27 TAXATION			
Current		168,081	111,725
Deferred		(2,880)	(6,587)
		<u>165,201</u>	<u>105,138</u>
27.1 Relationship between tax expense and accounting profit			
	%	2021 Rupees in '000'	% 2020 Rupees in '000'
Profit before taxation		402,843	257,826
Applicable tax rate / expense	35%	140,995	35.00% 90,239
Super tax	4%	16,114	4.44% 11,459
Expense not allowed	2%	6,090	1.33% 3,440
Actual tax rate / expense	41%	163,199	40.77% 105,138
Total tax charge as per financial statements		<u>165,201</u>	<u>105,138</u>
28 BASIC AND DILUTED EARNINGS PER SHARE		2021 -----Rupees in '000-----	2020
Profit for the year		237,642	152,688
Weighted average number of ordinary shares (Number)		300,262,923	229,253,257
Basic and diluted earnings per share (Rupees)		<u>0.79</u>	<u>0.67</u>
29 CASH AND CASH EQUIVALENTS		2021 ----- Rupees in '000 -----	2020
Cash and balance with treasury banks		2,947,089	3,454,865
Balance with other banks	29.1	8,253,264	7,278,458
		<u>11,200,353</u>	<u>10,733,323</u>
29.1	Cash and cash equivalents include the cash in hand, balances in saving deposits and term deposits with maturity of less than 3 months.		

30 STAFF STRENGTH

Permanent
On bank contract
Bank's own staff strength at the end of the year
Outsourced
Total staff strength at the end of the year

	2021	2020
	Number	
Permanent	268	266
On bank contract	161	149
Bank's own staff strength at the end of the year	429	415
Outsourced	138	133
Total staff strength at the end of the year	567	548

31 DEFINED CONTRIBUTION PLAN**31.1 General Description**

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

31.2 Gratuity

The Bank contributed Rs. 16,814 thousand (2020: Rs. 11,939 thousand) for 268 (2020: 266) of its permanent employees during the year towards employees gratuity fund.

31.3 Provident fund

The Bank contributed Rs. 7,296 thousand (2020: Rs. 6,304 thousand) in respect of 268 (2020: 266) of its employees during the year towards employees contributory provident fund.

32 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**32.1 Total compensation expense**

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

Item	2020			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	----- Rupees in '000 -----			
Fees and Allowances etc.	-	-	-	-
Managerial Remuneration				
i) Fixed	200	3,025	5,207	13,307
ii) Variable (Bonus)	-	-	14	1,974
Contribution to defined contribution provident fund	-	-	-	1,280
Contribution to defined contribution gratuity fund	-	-	441	1,271
Rent & house maintenance	-	-	1,212	5,988
Utilities	-	-	236	1,331
Medical	-	-	105	1,331
Conveyance	-	-	-	2,925
Vehicle	-	-	-	-
Boarding & loading	-	-	401	-
Others (mobile charges, TA	-	613	408	2,226
Total	200	3,638	8,024	31,633
Number of Persons	1	7	1	9

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

Name of director	2021				
	Meeting fees and allowances paid				
	For board meetings	For board committees			Total amount paid
		Board executive committee	Board audit committee	Board IT committee	Special committee
	Rupees in '000'				
1 Mr.Abdul Majid Khan	50	-	-	-	50
2 Mr.Shakeel Qadir	50	-	-	-	50
3 Mr. Haque Nawaz	75	-	-	-	75
4 Dr.Shahzad Khan Bangash	50	-	-	-	50
5 Mr. Asmatullah Shah	150	150	150	75	125
6 Ejaz Hussain Rathore	150	-	150	75	125
7 Naveed Sadiq	75	-	-	-	-
8 Mr.Raja Mumtaz Ali	125	150	150	-	-
9 Mr.Fayyaz Ali Abbasi	125	-	125	25	-
10 Mr. Mohammad Ahsen	75	100	-	50	-
11 Mr. Syed Zahoor Gillani	150	50	-	75	-
12 Mr.Irshad Ahmed Qureshi	25	-	-	-	-
13 Mr.Mubashar Nabi	25	-	-	-	-
14 Syed Haider Abbas	25	-	-	-	-
15 Mr.Zulfiqar Abbasi	25	-	-	-	-
16 Mr.Ehsan Khalid	50	-	-	-	-
Total amount paid	1,225	450	600	300	250
	2,825				

Name of director	2020				
	Meeting fees and allowances paid				
	For board meetings	For board committees			Total amount paid
		Board executive	Board audit committee	Board IT committee	Special committee
	Rupees in '000'				
1 Dr Shahzad Khan Bangash	75	-	-	-	-
2 Mather Niaz Rana	125	-	-	-	-
3 Asmatullah Shah	200	200	175	25	75
4 Ejaz Hussain Rathore	200	-	175	50	150
5 Naveed Sadiq	200	-	-	-	-
6 Mr.Raja Mumtaz Ali	200	50	175	-	75
7 Mr.Fayyaz Ali Abbasi	200	-	175	-	-
8 Muhammed Ahsan	175	175	-	75	-
9 Syed Zahoor Gillani	200	-	-	50	-
Total amount paid	1,575	425	700	200	300
	3,200				

33 FAIR VALUE MEASUREMENTS

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

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

33.1 Fair value of financial assets

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Mutual funds	183,775	-	-	183,775
	2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Mutual funds	185,845	-	-	185,845

34 SEGMENT INFORMATION**34.1 Segment details with respect to Business Activities**

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

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

Statement of financial position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000				
Cash & bank balances	-	19,221,722	-	-	19,221,722
Investments	-	183,775	-	-	183,775
Advances - performing	2,640,261	226,399	-	-	2,866,660
- non-performing	41,238	95,501	-	-	136,739
- provision	(116,753)	(71,333)	-	-	(188,086)
Operating fixed assets	52,677	197,615	2,477	1,117	253,886
Deferred tax asset	6,227	23,359	293	132	30,011
Others	929,941	116,577	64	29	1,046,611
Total assets	3,553,591	19,993,615	2,834	1,278	23,551,318
Bills payable	-	158,180	-	-	158,180
Deposits and other accounts	-	17,270,623	-	-	17,270,623
Lease liability against right of use asset	28,740	107,818	1,351	610	138,519
Others	32,228	428,777	102,093	12	563,110
Total liabilities	60,968	17,965,398	103,444	622	18,130,432
Equity	3,492,623	2,028,217	(100,610)	656	5,420,886
Total equity and liabilities	3,553,591	19,993,615	2,834	1,278	23,551,318
Contingencies and commitments	23,153	29,331	58,235	19,586	130,305

Profit and loss

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000				
Net mark-up/return/profit	228,253	546,040	-	-	774,293
Non mark-up / return / interest income	1,159	14,447	14,047	4,645	34,298
Total Income	229,412	560,487	14,047	4,645	808,591
Segment direct expenses	(77,080)	(436,025)	(4,720)	(1,561)	(519,386)
Total expenses	(77,080)	(436,025)	(4,720)	(1,561)	(519,386)
Provisions charged / (reversal)	(25,835)	(5,544)	-	-	(31,379)
Profit before tax	126,497	118,918	9,327	3,084	257,826

Statement of financial position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000				
Cash & bank balances	-	13,280,356	-	-	13,280,356
Investments	-	185,845	-	-	185,845
Advances - performing	1,844,384	395,751	-	-	2,240,135
- non-performing	172,783	37,074	-	-	209,857
- provision	(167,416)	(35,923)	-	-	(203,339)
Operating fixed assets	34,137	193,107	2,090	692	230,026
Deferred tax asset	3,919	22,169	240	79	26,407
Others	693,616	156,398	85	28	850,127
Total assets	2,581,423	14,234,777	2,415	799	16,819,413
Bills payable	-	67,414	-	-	67,414
Deposits and other accounts	-	13,700,340	-	-	13,700,340
Lease liability against right of use asset	19,725	111,579	1,208	399	132,911
Others	24,878	348,660	160,614	7	534,159
Total liabilities	44,603	14,227,993	161,822	406	14,434,824
Equity	2,536,820	6,784	(159,407)	393	2,384,590
Total Equity and liabilities	2,581,423	14,234,777	2,415	799	16,819,414
Contingencies and Commitments	32,319	96,483	14,601	-	143,403

TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

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80**RELATED PARTY TRANSACTIONS**

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

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

	2021		2020	
	Government of Azad Jammu & Kashmir and its related department	Directors	Key Management Personnel	Key management personnel
----- Rupees in '000 -----				
Advances				
Opening balance	-	-	32,503	210,992
Addition during the year	-	-	31,778	-
Repaid during the year	-	-	(3,250)	(210,992)
Closing balance	-	-	61,031	32,503
Deposits and other accounts				
Opening balance	5,439,545	-	663	-
Received/Withdrawal during the year	2,892,934	-	3,721	4,542,797
Closing balance	8,332,479	-	4,384	896,748
				5,439,545
Other Liabilities				
Interest / mark-up payable	100,571	-	-	70,907
Transactions during the year				
Income				
Mark-up / return / interest earned other income	-	-	1,351	2,330
	-	-	175	-
	-	-	1,526	2,330
				1,443
Expense				
Mark-up / return / interest paid Operating expenses	219,715	-	88	205,873
	-	3,568	51,999	-
	219,715	3,568	52,087	205,873
				3,838
				39,657
				39,680

Bank of Azad Jammu & Kashmir

Bank of Azad Jammu & Kashmir

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**Minimum capital requirement (MCR)**

	2021 -----Rupees in '000-----	2020 -----Rupees in '000-----
Paid-up capital (net of losses)	10,000,000	10,000,000
Capital adequacy ratio (CAR)		
Eligible common equity tier 1 (CET 1) capital	5,165,646	2,397,041
Eligible additional tier 1 (ADT 1) capital	-	-
Total regulatory adjustment applied to CET1	-	-
Total eligible Tier 1 capital	5,165,646	2,397,041
Eligible tier 2 capital	65,802	43,268
Total eligible capital (Tier 1 + Tier 2)	5,231,448	2,440,309
Risk weighted assets (RWAs):		
Credit risk	8,697,335	6,234,069
Market risk	459,438	371,690
Operational risk	1,517,260	1,227,059
Total	10,674,032	7,832,818
Common equity tier 1 capital adequacy ratio	48.39%	30.60%
Tier 1 capital adequacy ratio	48.39%	30.60%
Total capital adequacy ratio	49.01%	31.15%

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 31,2021 stood at Rs.5,445 million (2020:Rs.2,397 million). Banks are also required to maintain 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 Bank.

In order to dampen the effects of COVID-19, the State Bank of Pakistan under BPRD Circular Letter No.12 of 2020 has given a regulatory relief and reduced the Capital Conservation Buffer (CCB) as prescribed vide BPRD Circular No.6 of August 15,2013, for the time being, from its existing level of 2.50% to 1.50%, till further instruction.

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 31,2021.

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

	2021 -----Rupees in '000-----	2020 -----Rupees in '000-----
Leverage ratio (LR)		
Eligible tier-1 capital	5,165,646	2,384,590
Total exposures	23,681,623	16,963,817
Leverage ratio	22%	14%
Liquidity coverage ratio (LCR)		
Total high quality liquid assets	19,221,722	13,280,356
Total net cash outflow	5,953,917	3,948,564
Liquidity coverage ratio	323%	336%
Net stable funding ratio (NSFR)		
Total available stable funding	13,209,976	9,819,306
Total required stable funding	10,970,802	7,749,991
Net stable funding ratio	120%	127%

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38 RISK MANAGEMENT

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

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

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

38.1 Credit Risk

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

38.1.1 Investment in debt securities**Credit risk by industry sector**

	Gross investments		Non-performing		Provision held	
	2021	2020	2021	2020	2021	2020
	-----Rupees in '000-----					
Government bonds	-	-	-	-	-	-
Construction- TFC	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)
	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)

Credit risk by public / private sector

	2021	2020	2021	2020	2021	2020
Public	-	-	-	-	-	-
Private	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)
	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)

38.1.2 Advances**Credit risk by industry sector**

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	-----Rupees in '000-----					
Agriculture, Forestry, Hunting and Fishing	58,400	71,149	57,152	63,564	57,152	50,882
Wholesale and Retail Trade	275,944	294,589	59,882	62,177	35,623	22,094
Individuals	2,680,006	2,026,263	41,238	51,922	37,244	43,487
Others	41,214	57,991	30,684	32,267	30,684	31,157
	3,055,564	2,449,992	188,956	209,930	160,703	147,620

Credit risk by public / private sector

	2021	2020	2021	2020	2021	2020
Public/ Government	-	-	-	-	-	-
Private	3,003,399	2,449,922	188,956	209,930	108,487	147,620
	3,003,399	2,449,922	188,956	209,930	108,487	147,620

38.1.3 Contingencies and Commitments**Credit risk by industry sector**

	2021	2020
	-----Rupees '000-----	
Wholesale and Retail Trade	29,331	49,622
Individuals	81,388	79,180
Others	19,586	14,601
	130,305	143,403

Credit risk by public / private sector

	2021	2020
Public/ Government	19,586	14,601
Private	110,719	128,802
	130,305	143,403

38.1.4 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 186,348 thousand (2020: Rs. 227,015 thousand) are as following:

	2021	2020
	-----Rupees in '000-----	
Funded	166,762	177,393
Non funded	19,586	49,622
Total exposure	186,348	227,015

The sanctioned limits against these top 10 exposures aggregated to Rs 184,500 thousand (2020: Rs. 203,500 thousand)

Total funded classified therein

	2021		2020	
	Amount	Provision held	Amount	Provision held
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	52,448	28,448	52,448	14,461
Total	52,448	28,448	52,448	14,461

38.1.5 Advances - Province/Region-wise Disbursement & Utilization

Total amount of disbursement and utilization is in Azad Jammu and Kashmir of Rs. 1,733,356 thousands (2020: 2,686,163 thousands)

38.2 Market Risk

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

38.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking	Trading	Total	Banking	Trading	Total
	Rupees in '000					
Cash and balances with treasury banks	4,447,089	-	4,447,089	3,454,865	-	3,454,865
Balances with other banks	14,774,633	-	14,774,633	9,825,491	-	9,825,491
Investments	-	183,775	183,775	-	185,845	185,845
Advances	2,815,313	-	2,815,313	2,246,653	-	2,246,653
Fixed assets	253,886	-	253,886	230,026	-	230,026
Deferred tax assets	30,011	-	30,011	26,407	-	26,407
Other assets	1,046,611	-	1,046,611	850,127	-	850,127
	23,367,543	183,775	23,551,318	16,633,569	185,845	16,819,414

38.2.2 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.

38.2.3 Equity position Risk

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

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

Impact of 5% change in equity prices on:

- Other comprehensive income

	2021		2020	
	Banking	Trading	Banking	Trading book
	Rupees in '000			
	-	9,189	-	9,292

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

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

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

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

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
	(34,869)	-	(8,143)	-
		(1,838)		(1,858)

Impact of 1% change in interest rates on
 - Profit and loss account
 - Other comprehensive income

38.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

On-balance sheet financial instruments	Effective Yield/Interest rate	Total	2021										Non-interest bearing financial instruments	
			Exposed to Yield/ Interest risk								Above 10 Years			
			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				
Rupees in '000														
Assets														
Cash and balances with treasury banks	6.89%	4,447,089	40,684	2,670,000	1,500,000	-	-	-	-	-	-	-	-	236,405
Balances with other banks	6.89%	14,774,633	1,257,448	6,664,040	5,721,369	-	-	-	-	-	800,000	-	-	331,776
Investments	3.77%	183,775	-	-	-	-	-	-	-	-	-	-	-	183,775
Advances	13.77%	2,815,313	124,613	126,656	90,567	228,728	143,174	295,309	1,615,744	2,979	187,544	-	-	-
Other assets		1,040,052	-	-	-	-	-	-	-	-	-	-	-	1,040,052
		23,260,862	1,422,745	9,460,696	7,311,986	228,728	143,174	295,309	1,615,744	802,978	187,544	-	-	1,792,008
Liabilities														
Bills payable		158,180	-	-	-	-	-	-	-	-	-	-	-	158,180
Deposits and other accounts	3.79%	17,270,623	2,725,432	2,927,582	3,062,632	5,622,732	11,886	29,920	209,143	-	-	-	-	2,681,296
liability against right of use asset		138,519	1,811	3,704	5,502	11,597	23,606	21,205	43,597	27,496	-	-	-	-
Other liabilities		416,826	-	-	-	-	-	-	-	-	-	-	-	551,242
		17,984,148	2,727,243	2,931,286	3,068,134	5,634,339	35,492	51,125	252,740	27,497	-	-	-	3,256,302
On-balance sheet gap		5,276,714	(1,304,498)	6,529,410	4,243,802	(5,405,601)	107,682	244,184	1,363,004	775,481	187,544	-	-	(1,464,294)
Off-balance sheet financial instruments														
Commitments to extend credit		52,484	52,484	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		52,484	52,484	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(1,356,982)	6,529,410	4,243,802	(5,405,601)	107,682	244,184	1,363,004	775,481	187,544	-	-	(1,464,294)
Cumulative Yield/Interest Risk Sensitivity Gap			(1,356,982)	5,172,428	9,416,230	4,010,629	4,118,311	4,362,495	5,725,499	6,500,980	6,688,524	-	-	(1,464,294)

Effective Yield/ Interest rate	Total	2020							Non-interest bearing financial instruments		
		Exposed to Yield/ Interest risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years	Above 10 Years
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	9.55%	3,454,865	2,041,987	1,250,000	-	-	-	-	-	-	162,878
Balances with other banks	9.55%	9,825,492	2,124,815	5,062,499	1,401,461	254,428	-	300,000	500,000	-	182,289
Investments	5.35%	185,845	-	-	-	-	-	-	-	-	185,845
Advances	12.31%	2,246,653	433,039	45,814	77,079	222,096	174,757	207,089	1,075,032	11,747	-
Other assets		846,921	-	-	-	-	-	-	-	-	846,921
		16,559,776	4,599,841	6,358,313	1,478,540	476,524	174,757	207,089	1,375,032	511,747	1,377,933
Liabilities											
Bills payable		67,414	-	-	-	-	-	-	-	-	67,414
Deposits and other accounts	5.26%	13,689,340	2,117,922	2,244,616	2,452,816	3,895,886	42,720	42,720	211,226	-	2,681,296
liability against right of use asset		132,911	1,515	1,542	4,712	9,783	19,034	19,034	29,930	46,849	-
Other liabilities		219,505	-	-	-	-	-	-	-	-	534,159
		14,109,170	2,119,437	2,246,158	2,457,528	3,905,669	61,754	62,404	241,156	46,849	2,968,215
On-balance sheet gap		2,450,606	2,480,404	4,112,155	(978,988)	(3,429,145)	113,003	144,685	1,133,876	464,898	(1,590,282)

Off-balance sheet financial instruments									
Commitments to extend credit	79,180	79,180	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	2,401,224	4,112,155	(978,988)	(3,429,145)	113,003	144,685	1,133,876	464,898	(1,590,282)
Cumulative Yield/Interest Risk Sensitivity Gap	2,401,224	6,513,379	5,534,391	2,105,246	2,218,249	2,362,934	3,496,810	3,961,708	(1,590,282)

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.

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

Reconciliation of total assets	2021		2020	
	Rupees in '000-----		Rupees in '000-----	
Total financial assets	23,260,862	16,559,775		
Add: Non financial assets				
Operating fixed assets	253,886	230,026		
Other assets	6,559	3,206		
Deferred tax asset	30,011	26,407		
	290,456	259,639		
Balance as per balance sheet	23,551,697	16,819,414		
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.				
Reconciliation of total liabilities				
liabilities	17,984,148	14,434,824		
Add: Non financial liabilities				
Deferred tax liabilities	146,284	-		
Deferred govt. grant	146,284	-		
Balance as per balance sheet	18,130,432	14,434,824		

38.3

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

38.3.1 Operational Risk- Disclosures Basel II Specific

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

38.4 Liquidity Risk

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

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

	2021													
	Total	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														
Cash and balances with treasury banks	4,447,089	8,938	62,566	62,566	143,019	1,335,000	1,335,000	1,500,000	-	-	-	-	-	-
Balances with other banks	14,774,633	51,265	358,857	358,857	820,245	3,332,020	3,332,020	5,721,369	-	-	-	-	-	800,000
Investments	183,775	-	-	-	-	-	-	-	91,888	91,888	-	-	-	-
Advances	2,815,313	4,021	28,147	28,147	64,321	63,328	63,328	90,566	114,364	114,364	143,174	295,309	1,615,747	190,497
Fixed assets	253,886	450	3,150	3,150	7,189	3,490	3,490	9,572	10,290	10,290	38,252	34,600	65,772	64,191
Deferred tax assets	30,011	53	372	372	850	413	413	1,131	1,216	1,216	4,522	4,090	7,775	7,588
Other assets	1,046,611	1,832	12,824	12,824	29,341	50,941	50,941	192,002	-	-	-	-	-	695,906
	23,551,318	66,559	465,916	465,916	1,064,965	4,785,192	4,785,192	7,514,640	217,758	217,757	185,948	333,999	1,689,294	1,758,182
Liabilities														
Bills payable	158,180	-	-	-	-	79,090	79,090	-	-	-	-	-	-	-
Deposits and other accounts	17,270,623	109,542	766,794	766,794	1,752,663	1,798,954	1,798,954	3,732,956	3,146,529	3,146,488	11,886	29,920	209,143	-
Liability against right of use asset	138,519	58	406	406	928	1,852	1,852	5,502	5,799	5,799	23,606	21,205	43,597	27,509
Other liabilities	563,110	6,019	42,133	42,133	96,311	64,564	64,560	61,003	63,206	63,198	349	638	10,754	48,242
	18,130,432	115,619	809,333	809,333	1,849,902	1,944,460	1,944,456	3,799,461	3,215,534	3,215,485	35,841	51,763	263,494	75,751
Net assets	5,420,886	(49,060)	(343,417)	(343,417)	(784,937)	2,840,732	2,840,736	3,715,179	(2,997,776)	(2,997,728)	150,107	282,236	1,425,800	1,682,431

Share capital	2,129,911
Reserves	-
Unappropriated profit	267,130
Deficit on revaluation of assets	(12,451)
	<u>2,384,590</u>

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

2020											
	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	3,454,865	2,204,865	1,250,000	-	-	-	-	-	-	-	-
Balances with other banks	9,825,491	2,170,387	5,108,071	1,447,033	300,000	-	-	300,000	500,000	-	-
Investments	185,845	-	-	-	185,845	-	-	-	-	-	-
Advances	2,246,653	433,039	45,814	77,079	222,096	174,757	207,089	1,075,032	11,747	-	-
Fixed assets	230,026	120,443	9,737	3,272	4,908	9,815	9,815	19,027	12,609	40,400	-
Deferred tax assets	26,407	13,827	1,117	376	563	1,127	1,127	2,184	1,448	4,638	-
Other assets	850,127	118,639	102,733	90,760	2,033	-	-	412,400	123,562	-	-
	16,819,414	5,061,200	6,517,472	1,618,520	715,445	185,699	218,031	1,808,643	649,366	45,038	-
Liabilities											
Bills payable	67,414	-	67,414	-	-	-	-	-	-	-	-
Deposits and other accounts	13,700,340	2,788,246	2,914,940	3,123,140	4,566,210	42,720	53,858	211,226	-	-	-
Lease liability against right of use asset	132,911	1,515	1,542	4,712	9,783	19,034	19,546	29,930	46,849	-	-
Other liabilities	534,159	220,440	70,043	67,462	104,957	5,655	5,299	9,489	-	-	50,814
	14,434,824	3,010,201	3,053,939	3,195,314	4,680,950	67,409	78,703	250,645	46,849	50,814	-
Net assets	2,384,590	2,050,999	3,463,533	(1,576,794)	(3,965,505)	118,290	139,328	1,557,998	602,517	(5,776)	-
Share capital	2,129,911										
Reserves	-										
Unappropriated profit	267,130										
Deficit on revaluation of assets	(12,451)										
	2,384,590										

39 GENERAL

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

40 DATE OF AUTHORIZATION

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

14 APR 2022

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Director

MANAGEMENT

President's Secretariat

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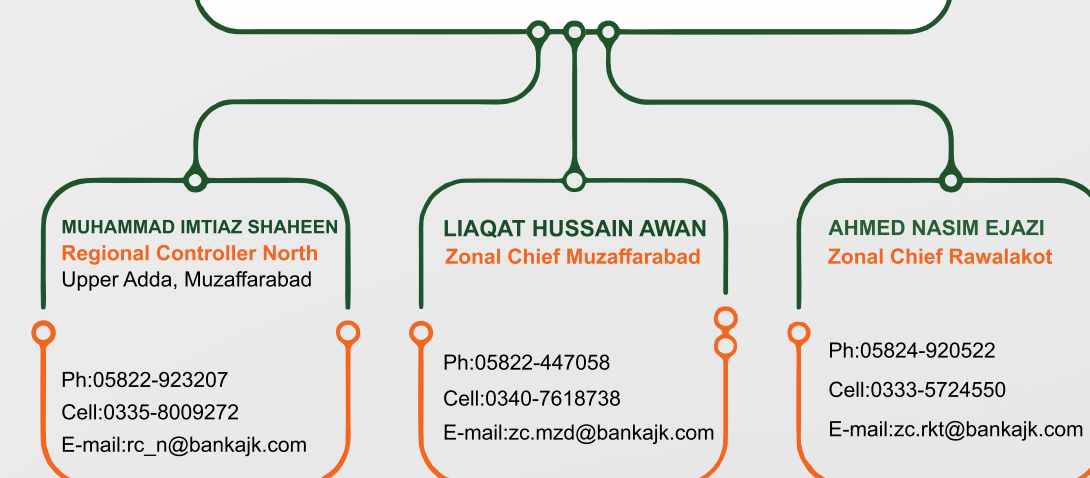
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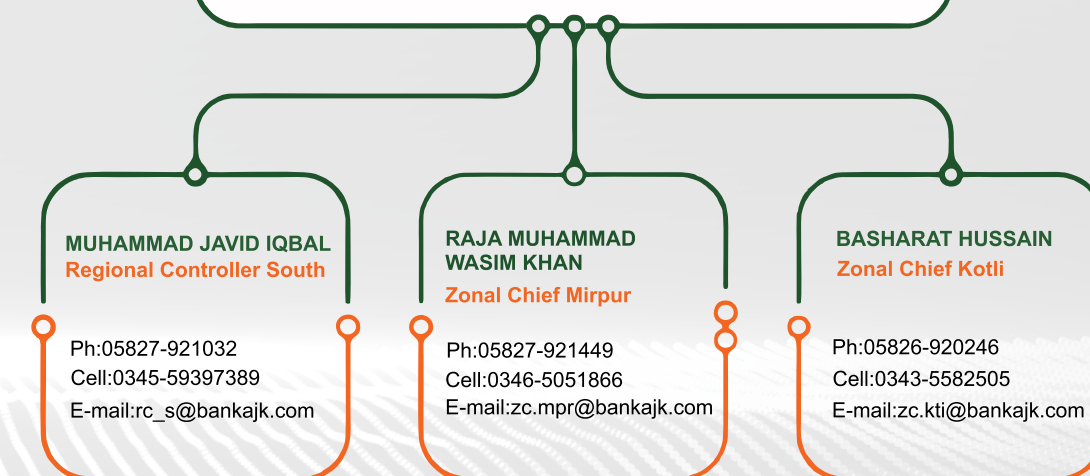
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REGIONS/ZONES

North Region



South Region



BRANCH NETWORKS (TOGETHER WE REACH)

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Athmuqam Branch (0008)

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Gari-Dupata Branch (0017)

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Chakar Branch (0022)

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Chakothi Branch (0037)

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District Complex Muzaffarabad Branch (0040)

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Joor Branch (0052)

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Ladies Branch, Muzaffarabad (0053)

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Upper Adda Branch (0061)

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Kuttan Branch (0063)

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Kundal Shahi Branch (0069)

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Brarkot Branch (0070)

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Hajeera Branch (0016)

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Paniola Branch (0039)

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Islamnagar (0072)

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Muslimabad (0071)

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BRANCH NETWORKS (TOGETHER WE REACH)

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Dadyal Branch (0003)

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Chaksawari Branch (0004)

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Bhimber Branch (0012)

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Mirpur F-3 Branch (0015)

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Chowki Branch (0033)

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Ratta Branch Mirpur (0058)

Allah Abad Market, Main Road Ratta,
Tehsil Dadyal, District Mirpur
TEL: 05827-923011
FAX: 05827-923010
Cell: 03465421490
E-mail: manager0058@bankajk.com

Moil Branch (0059)

Main Bazar Moil, Tehsil & District Bhimber.
Cell: 03558197020
E-mail: manager0059@bankajk.com

Samahni (0073)

Shahrah-e-Jammu, Samahni, Distt. Bhimber
TEL: 05828-922166
Cell: 0345-5658197
E-mail: manager0073@bankajk.com

KOTLI ZONE

Main Branch Kotli (0005)

Poonch / Rawalpindi Road, Kotli
TEL: 05826 920241
FAX: 05826 920242
Cell: 03460184237
E-mail: manager0005@bankajk.com

Sehnsa Branch (0007)

Main Bazar Sehnsa, AJK
TEL: 05826 923062, FAX: 05826 923063
Cell: 03445944786
E-mail: manager0007@bankajk.com

Nar Branch (0014)

Main Bazar Nar, District Kotli, AJK
TEL: 05826 921061, FAX: 05826 921060
Cell: 03455677093
E-mail: manager0014@bankajk.com

Bratla Branch (0020)

Main Bazar Bratla, District Kotli, AJK
TEL: 05826 475094, FAX: 05826 475094
Cell: 03464330788
E-mail: manager0020@bankajk.com

Khui Ratta Branch (0021)

Main Bazar KhuiRatta, District Kotli, AJK
TEL: 05826 921863, FAX: 05826 921862
Cell: 03008306651
E-mail: manager0021@bankajk.com

Sarsawa Branch (0026)

Main Bazar Sarsawa, District Kotli, AJK
TEL: 05826 921163, FAX: 05826 921164
Cell: 03005310647
E-mail: manager0026@bankajk.com

Khad-Gujran Branch (0031)

Main Bazar Khad-Gujran, District Kotli, AJK
TEL: 05826 922361, FAX: 05826 922362
Cell: 03065228798
E-mail: manager0031@bankajk.com

Charhoi Branch (0036)

Main Bazar Charhoi, District Kotli, AJK
TEL: 05826-922165, FAX: 05826-922165
Cell: 03455499824
E-mail: manager0036@bankajk.com

Tatta-Pani Branch (0042)

Main Bazar Tatta-Pani, District Kotli, AJK
TEL: 05826-921461, FAX: 05826-921461
Cell: 03015355845
E-mail: manager0042@bankajk.com

Mi-Toti Branch (0044)

Main Bazar Mi-toti, District Kotli, AJK
TEL: 05826-921865, FAX: 05826-921865
Cell: 03445410901
E-mail: manager0044@bankajk.com

Dhanna Branch (0048)

Dhanna Bazar, District Kotli, AJK
TEL: 05826-921761, FAX: 05826-921761
Cell: 03445581665
E-mail: manager0048@bankajk.com

Juna Branch (0051)

Main Bazar Juna, District Kotli, AJK
TEL: 05826 474441
Cell: 03445301163
E-mail: manager0051@bankajk.com

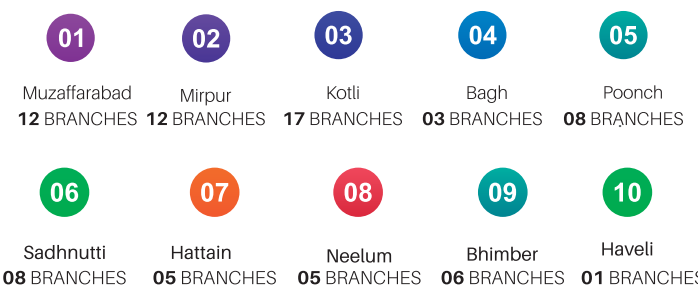
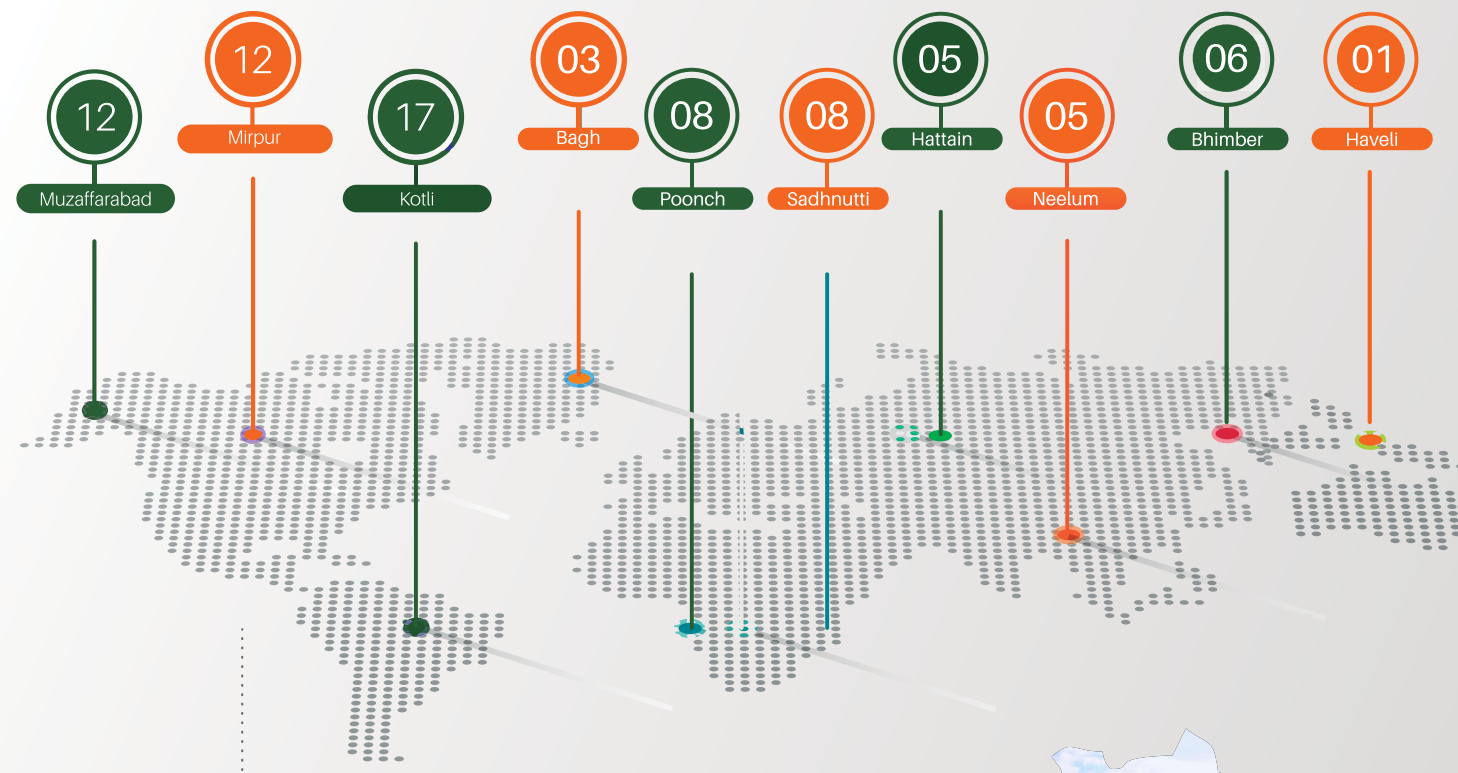
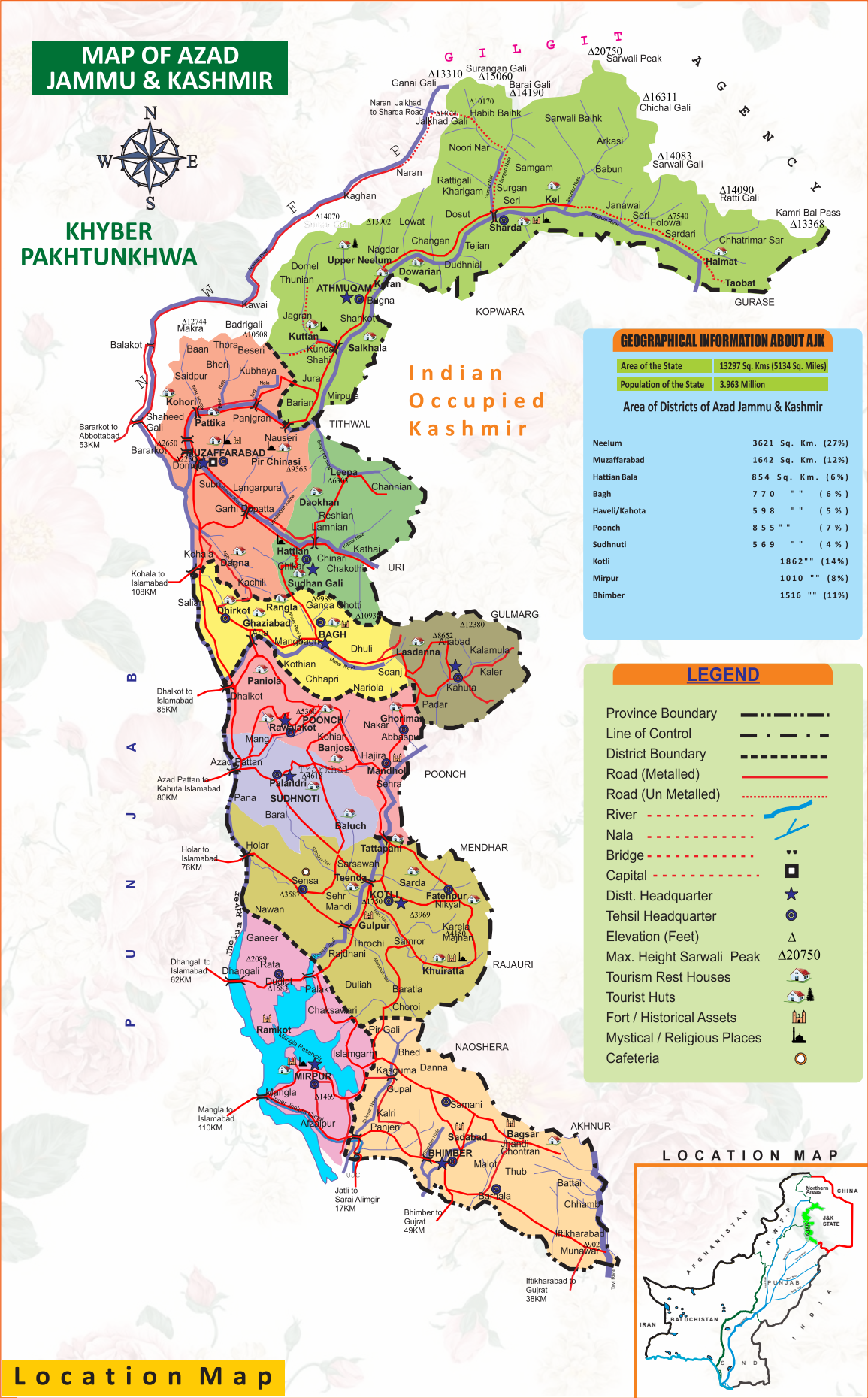
Seharmandi Branch (0055)

Main Bazar Seharmandi,
Tehsil Sehensa, District Kotli, AJK
TEL: 05826-923150, FAX: 05826-923150
Cell: 03435437441
E-mail: manager0055@bankajk.com

Jarahi Branch (0064)

Tehsil Dolya Jattan, District Kotli, AJK
TEL: 05826-923350, FAX: 05826-923351
Cell: 03425044400
E-mail: manager0064@bankajk.com

BAJK BRANCHES WITH DISTRICT & LOCATIONS



YEAR AT A GLANCE

BAJK PERFORMANCE REPORT



President/ CEO Bank of AJK Mr. Khawar Saeed furnishing Progress Report to the Honorable President State of Azad Jammu and Kashmir Barrister Sultan Mahmood Chaudhary



President/ CEO Bank of AJK Mr. Khawar Saeed called on Sardar Tanveer Ilyas Khan, Honorable Prime Minister State of Azad Jammu and Kashmir



President/ CEO Bank of AJK Mr. Khawar Saeed and Honorable President State of Azad Jammu and Kashmir Mr. Sultan Mahmood Chaudhary are chalking out the Vision of Bank



President/ CEO Bank of AJK Mr. Khawar Saeed furnishing Souvenir to Honorable Chairman/ Minister Finance Azad State of AJK Mr. Abdul Majid Khan



President/ CEO Bank of AJK Mr. Khawar Saeed Presenting Progress Report to the Honorable President State of AJK Barrister Sultan Mahmood Chaudhry, Minister of Finance/ Chairman Bank of AJK Abdul Majid Khan is also present on the occasion .



Honorable Chairman/ Minister Finance Azad State of AJK Mr. Abdul Majid Khan opening his Account with BAJK

Board of Directors' Meetings



Annual General Meeting



Minister Finance, Co-operatives and Inland Revenue AJK/Chairman BAJK preside over AGM at Bank Head Office Muzaffarabad



Trainings & Workshops



A group photograph of Mr.Khawar Saeed, President/ CEO Bank of AJK and Dr.Syed Azhar Hussain Shah EVP/Director Staff College NBP with Mr.Abdul Majid Khan Chairman Board of Director at Staff Training College National Bank of Pakistan Islamabad

Trainings & Workshops



A group photograph of Mr.Khawar Saeed, President/ CEO Bank of AJK, Brig.® Syed Akhtar Hussain Shah Director General Kashmir Institute of Management Muzaffarabad and MTOs /Executives with Mr.Abdul Majid Khan Chairman Board of Directors BAJK

Business strategy meetings/workshops



A pose of BAJK Divisional Heads, Regional Controllers, Zonal Chiefs and Branch Managers with President/CEO



Business Activities/cash award distribution ceremonies





Mr. Khawar Saeed, President/CEO Bank of Azad Jammu and Kashmir called upon Mr. Faysal Manzoor, President AJK Chamber of Commerce and Industry in Mirpur AJK.



Minister Finance/ Chairman of the Board of the BANK AJK Mr. Abdul Majid Khan, Secretary Finance and Member Board of Director Mr. Asmatullah Shah and President/CEO of the Bank of Azad Jammu and Kashmir Celebrating 15th Anniversary of the Bank



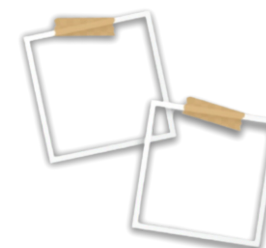
Year at a Glance



Minister Finance/ Chairman of the Board of the Bank AJK Mr. Abdul Majid Khan and President Bank of Azad Jammu and Kashmir Mr. Khawar Saeed Participated in Tourism Promotion Campaign organized by Business Community at Keran, Neelum Valley AJK



Worthy President/CEO of the Bank during a field visit at Mirpur AJK





Honorable Chairman & worthy President along with BAJK field functionaries at Mirpur AJK



Worthy President/CEO meeting with BAJK field functionaries focusing business of the bank



Field Visit of President/CEO



Corporate Social Responsibility (CSR)





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:

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

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

1.2 General Guidelines

Every employee shall:-

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

1.4 Conflict of Interest

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

Circumstances may arise where an employee, his / her spouse or family member directly or indirectly 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:

- Must not give rise to any real or apparent conflict with a customer's interest;
- Must not adversely reflect on the Bank; and
- 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 BAJK to obtain an advantage to buy and sell investments.

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

Employees shall not, at any time, carry out:

- 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 BAJK maintains with the aim of developing mutual confidence and trust.

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

In case a regulation appears to conflict with the provision of any other regulation or laws, or compliance appears to be impractical or

against the general banking ethics, it must be reported to the competent authority for appropriate action. Under no circumstances a violation of a regulation should be committed.

1.9 Relationship with Competitors

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

1.10 Gifts and Entertainment

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

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

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

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

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

1.11 Office Attendance

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

1.12 Corporate Culture

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

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

1.13 Customer Relationship

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

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

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

1.14 Business/Work Ethics/Discipline

Every employee shall:-

- Respect colleagues and work as a team. He shall 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. BAJK's proprietary information that includes any analyses or plans created or obtained by any BAJK Division, Department or Branch.

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

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

- i. Where the customer concerned has given permission to do so;
- ii. Where the Bank is legally compelled to do so;
- iii. Where there is a duty to disclose information to public; 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.

INVESTMENT OPPORTUNITIES IN AJK

AJ&K falls within the Himalayan organic belt. As such, its topography is mainly hilly divided in to Northern and southern parts. The northern districts (Neelum, Muzaffarabad, Hattian, Bagh, Haveli, Poonch, and Sudhnoti) are generally mountainous while southern districts (Kotli, Mirpur, and Bhimber) are relatively plain. The mountain environments are unstable and have low inherent productivity. Within this fragile environment, there is a great variety of natural niches on which people base their livelihood. Small land holdings and shortage of cultivable land are the main factors limiting on-farm income generation. The area is full of natural beauty with thick forest, fast flowing rivers and winding streams. Main rivers are Jhelum, Neelum and Poonch. The local economy of Azad Jammu and Kashmir (AJK) depends heavily on agriculture and livestock as well as remittances. Industry and tourism are one of the viable options but so far remained underdeveloped in this region.

Azad Jammu and Kashmir is rich in water and mineral resources and nature has been generous in bestowing scenic beauty to this part of the world. Present regime of Azad Jammu And Kashmir has granted a number of incentives to the investors for promotion of Industrial activities in the State. The State of Azad Jammu and Kashmir offers great opportunity to the investors, including five lac overseas Kashmiri nationals possessing dual nationality to invest in industrialization, Hydel power generation, Mineral exploitation, and Kashmiri Handicrafts and Tourism industry.

At the time of independence in 1947, the economy of Azad Jammu & Kashmir was on subsistence level. It was early 70's, when economic development of the area started. Despite financial constraints, efforts were made in developing infrastructure for the rapid development of the area. The State of Azad Jammu & Kashmir by virtue of its topography, meteorology, hydrology and administrative set up provides adequate opportunities of investment in various sectors. The Govt. of Azad Jammu and Kashmir is encouraging investment in the following sector:-

1. **Hydropower Generation**
2. **Mineral Resources**
3. **Kashmiri Handicrafts**
4. **Tourism**
5. **Manufacturing**



ایچی پیچان بینک آف آزاد جموں و کشمیر



HYDRO POWER GENERATION

Hydro Power generation is the most emerging sector of AJK. Some of the projects have already complete and rest are in process of completion.

MINERAL RESOURCES

The geological environment of AJK is comprised of three types of rocks, i.e. Sedimentary, Igneous and Metamorphic. The type of mineral deposits found are; Industrial Minerals, Gemstones, precious Metals and Base Metals. The Industrial minerals and base metals are found in all the three rock type and thus spread in the whole of the AJK territory, whereas gemstones are confined to metamorphic terrain and thus occur in the upper parts of Neelum Valley.

EXPLOITATION OF RUBY DEPOSITS OF AZAD KASHMIR

The Ruby deposits of Azad Kashmir are found at Nangimali area of Upper Neelum Valley. The area falls in Survey of Pakistan Topo sheet No.43- J/5. Nangimali is about 25 km from Kel. The Kel is about 160 Kilometers north east of Muzaffarabad. Kel is linked with Muzaffarabad by partially metal road open for about 8/9 months, whereas onwards by a fair weather road open 5 to 6 months.



KASHMIRI HANDICRAFTS

The tradition of Kashmiri crafts can be traced back from the era of pre-recorded history. It has maintained itself and flourished despite the rise & fall of various civilizations. The craft tradition got major boost in the 14th century, when Mir Syed Ali Hamdani visited Kashmir along with several hundred craftsmen, Artisans and experts. This event revolutionized the religious life of Kashmiris and also infused the ideas of productive economy in Kashmir. These Arts and crafts received the state patron-ship during the era of Zain-ul-Abidin. Till the recent time, in AJK development and promotion of Kashmir handicrafts has been of the major endeavors of the government, with a view to promote productivity of the crafts sector, employment generation and diversification of markets.



Investment opportunities are available in almost all traditional Handicrafts and investor can establish production units at local level at low cost and due to huge demand of Kashmiri Handicrafts in domestic & international level can sell in Pakistan and other countries. Following are the key features of this opportunity in AJK :-



TOURISM

Azad Kashmir has great potential for development of tourism. Its numerous picturesque spots, dense forests, winding rivers, turbulent foaming streams, majestic towering mountains, flora & fauna, bracing climate and historical & cultural heritage all together make it an excellent tourist resort. Despite the tourism potential available in abundance, it could not be explored for a long time. It was mainly due to the absence of the infrastructure, paucity of funds and other problems of



varied type. However, with the overall improvement of the conditions in the area, tourism also got some attention since 2008 and since then efforts are being made to develop and provide basic amenities for the tourists in Azad Kashmir. The AJK Tourism Department initially confined its development activities to such areas which were linked with good roads and where some other basic infrastructure was available. However, with the gradual improvement of general infrastructure and in view of the growing requirements of the tourists the scope of the tourist activities was enlarged. The AJK Tourism Department since 1975 onwards has implemented various development projects with the main objective to develop reasonable accommodation facilities at places of tourist interest. With the result the AJK Tourism Department has established a network of Tourist Lodges throughout the State. In addition to these activities, emphasis was also laid to provide recreational and transport facilities to the tourists. Resort development has now become the corner stone of the tourism related activities throughout the world. In Azad Jammu & Kashmir also it has become

imperative that tourism developmental activities should be shifted to resort development. In this regard, the AJK Tourism Department has got prepared Master Planning for promotion of tourism and tourist resort in Azad Jammu & Kashmir through a renowned consultant firm. The consultant after conducting detailed survey of Azad Jammu & Kashmir has identified following areas for development of tourist resorts.

- Neelum Valley area.
-



Visit:
AZAD JAMMU & KASHMIR
A Fascination Yet Unexplored

- Muzaffarabad, Saran/ Pirchinassi area,
- Dao Khan, Leepa Valley area,
- Dhirkot, Neelabutt, Hanschowki including Danna area,
- Chikkar, Loonbagla, Sudhangali and Ganga-Choti area,
- Rawalakot, Banjonsa, Ghorimar, Tolipir including Lasdana Area,
- Tatta Pani – Kotli, Sehnsa area,
- Mirpur – Mangla, Bhimber & Samahni area

FOR FOREIGN TOURIST	
MZD.	Muzaffarabad City, Pirchanasi, Shaheed Gali, Danna
Hattian	Chikkar, Dao Khan,
Bagh	Sudhen Gali, Dheerkot, Neela Butt,
Poonch & Sudhnoti	Rawalakot, Banjonsa, Koian, Toli Pir, Ghori Mar, Tatta Pani,Nagashwar,
Kotli	Kotli,Sarda,Fateh Pur, Khoi Ratta, Banah Valley,
Mirpur	Mirpur City, Ramkot Kot Fort,
Bhimber	Baghshar, Jhandi Chontra,

TOURIST INFORMATION CENTRES				
Entry Point	Tourist Welcome Booth	Adjacent(Relevant) Districts	Distance from Islamabad (In Kilometer)	Contacts Numbers
Kohala	Near Kohala Bridge	MZD, Bagh, Havelli	108	05822 922407
Bararkot	Near Bararkot Police Check point	MZD, Neelum, Hattian	53 Abbotabad	05822 922701
Mangla	*****	Mirpur, Kotli,Bhember	116	*****
Azad Pattan	*****	Rawalakot, Sudhnoti	80	*****
Hollar	*****	Kotli	76	*****
Dhalkot	*****	Rawalakot, Bagh	85	*****
Dhaan Gali	*****	Dudyal, Mirpur	62	*****

