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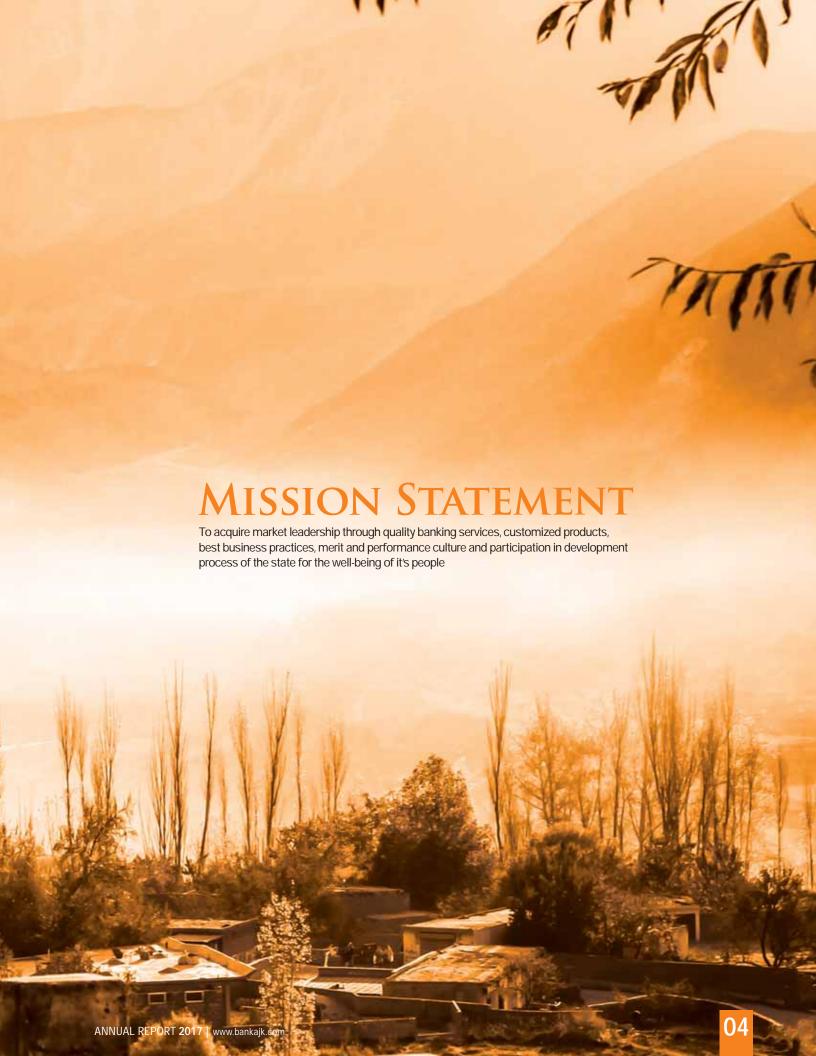
VISION

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

















President, Govt. of AJ&K Sardar Masood Khan

MESSAGE

It gives me immense pleasure to know that BAJK has already completed 11 years of its banking operations and during this short period of life it has crossed many milestones amidst cutthroat competition posed by large banking institutions including foreign banks.

It is heartening to note that with each passing year, the bank is making progress and earning substantial amount of profit for the government and has emerged as largest tax payer entity of AJ&K. Financial institutions play an active role in mobilizing savings in the form of deposits to convert them in investments and credits, desperately needed by the developing economies and communities. During a short span of time the bank has extended its network to far flung areas of the State to provide banking services to the people.

The days are not far off when the bank with the patronage of the government of the State and customers shall be able to fulfill the criteria for obtaining scheduled status from the State Bank of Pakistan, which will go a long way to expand its networks and operations beyond the territory of state including overseas.

In the future I envisage Bank's further contribution in supporting various economic segments of the state. There exists rich, untapped potential for economic growth in the sectors of tourism, minerals, agriculture, livestock, forestry and fruit farming. Almighty Allah has blessed the state with huge water resources which are being used for the development of hydro-power projects and water reservoirs.

The China Pakistan Economic Corridor (CPEC), of which AJK has become a formal part, will entirely change the economic landscape of the State and BAJK, in this regard, will play a pivotal role by providing innovative banking services to the people as well as for trade and industry. I foresee bright future of this institution, the first one of its kind and pray for its continuous progress in the days and years to come.





PRIME MINISTER, GOVT. OF AJ&K
RAJA MUHAMMAD FAROOQ HAIDER KHAN

MESSAGE

Azad Jammu and Kashmir today represents a growing market of diversified customers who want quality banking services. AJK represents a great potential market for the banks in areas like retail banking, trade finance, remittance services and high technology banking products. Keeping in view the business potentials as well as heavy inflow of Home Remittances in Azad Kashmir, almost all the commercial banks have their branches in the State of Azad Jammu and Kashmir. Banks in Azad Kashmir have a very large customer base and impressive volume of deposits which could substantially help towards socio-economic uplift of the State subjects through innovative banking products and enhanced business and trade connectivity with commercial hubs in Pakistan.

Bank of AJK (BAJK) as compared to other Financial Institutions operating in AJK has grown breadth and depth in terms of customer's diversity and presence in remote areas and high level of marketing understanding. This understanding develops 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, CPEC related endeavors and tourism related activities.

I must appreciate that the BAJK is playing vital role in the socio economic growth of the state and holding prominent position in banking sector of the region through its banking services and products and providing public and private services, financial infrastructure and employment. As such, the efficiency and performance of the bank is a matter of economic growth and governance, which comes at the top of the agenda of the Government of AJK. BAJK is a state owned entity and I am pleased to share that this bank is being managed professionally under banking laws, regulations and practices, which will definitely improve its operational efficiency, customer services and trigger performance.

I acknowledge the fact that the Bank has shown exemplary financial performance during 2017 and seems committed to excel further during 2018. I assure that the Government of AJK will observe complete autonomy of the Board of AJK Bank for focusing on national economic objectives and its functioning purely on commercial considerations to the entire satisfaction of regulators and stake holders

I appreciate the Chairman, Members of the Board and the Managing Director for the impressive results posted during 2017 and expect that the Bank will flourish in the time to come.







CHAIRMAN BOARD OF DIRECTORS
DR. IJAZ MUNIR

MESSAGE

I am honored to be selected to head the Bank as Chairman Board of Directors by the Honorable Prime Minister Government of AJK and reposing trust and confidence upon me, at a time when the entire banking sector is affected by rising NPLs, galloping inflation and a shrinking customer base. These factors deteriorated our structural issues, making our efforts to re-align the bank's balance sheet an even more difficult task.

I am pleased to report that BAJK maintained its vigorous performance in 2017 due to the quality of the Bank's assets and its carefully crafted business plan, which was endorsed by the Board of Directors earlier in the year. These positive results are in line with the Bank's transformative vision to enhance and develop new systems, platforms, operational efficiency and customer excellence for the foreseeable future.

I am sure that in the coming years, BAJK will be able to provide innovative products with customer friendly banking facilities to tap more customers into their Banking network and strengthen the relationship through right solutions combined with professionalism in every activity and gradually increase the number of branches all over the State and beyond, to support the overall economic development of the State to accomplish the objectives to:

- ensure its performance in all facets of operations and perform better than its competitors;
- maintain a comprehensive range of services to cater to the needs of its clients;
- maximize contributions from its key resources of personnel, machines, branch representation and capital;
- be innovative, progressive and responsive to the needs of its customers within the framework of operational latitudes and prudent risk taking, bearing in mind responsibility as a custodian of depositors' funds.

In recognition of its responsibilities as a corporate body the Bank aims to:

- pursue personnel policies which recognize the aspirations and performance of individuals in every career paths available in the Bank;
- have full regard to the attitudes and expectations of the clientele base at large and contribute as appropriate, to the formulation of positive attitude and opinions;
- act as a reputable, efficient and responsible service oriented organization.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to our customers, partners and shareholders for their continued trust, which has been the cornerstone of our continued success. I would also like to thank the management of the Bank and all employees for their hard work and contributions towards achieving the desired goals of the Bank. I would like to take this opportunity also to thank the Government of AJK for their continued efforts and support extended to BAJK.

Managing Director Imran Samad

A WORD FROM THE MANAGING DIRECTOR

I am thankful to almighty Allah that in 2017, BAJK has delivered credible financial performance along with strong shareholders' returns despite multifaceted challenges including low interest rate during the whole year. The Bank remained vigilant towards an ever changing business environment and continued to follow a strategy of steady growth and focused on diversification of earning assets to improve the efficiency of the Bank. As the result, 2017 marked a healthy growth in deposits, earnings and equity of the Bank. The Bank focused on growing core deposits, combined with attractively priced funds to support our lending activities. Similarly, the total asset base of the Bank crossed Rs. 10 billion and the Advances Deposits Ratio (ADR) of the BAJK once again remained at top as compared to the Banking portfolio in AJK, which is a clear reflection of our commitment toward socio economic development of the State.

We begin the year 2018 with the same determination and passion to achieve new heights. I am confident that our business will continue to innovate and perform well, driven by new product innovations and exemplary customer service. Our focus on investing in human talent and providing an engaging work environment for all will continue in the future. I believe that technology is and will continue to be the "game changer". In order to achieve operational efficiencies and improved service quality levels, the new core banking solution implementation in the entire bank is the need of the hour which will enable the Bank to launch products best suited to customers' needs, strengthen control environment and will assist in enhanced market positioning with improved Brand Image.

I take this opportunity to express gratitude to our main shareholder, Government of AJK for its continued patronage and support. I also acknowledge and express gratitude to Chief Secretary Government of AJK who is also the Chairman of the Board and all members of Board of Directors for their continuous guidance and assistance on every occasion.

Finally, I acknowledge the vital contribution of all the members of BAJK family whose commitment and dedication progressed this bank from strength to strengths and achieved milestones of equity, deposits and assets in 2017 and set new benchmark for the year 2018. Our journey in future is full of enthusiastic challenges and diversified ambitions yet with our determined efforts, we will emerge as strong and robust institution of the State. INSHA-ALLAH.

A bright and promising future awaits and it is for all of us to grab and preserve it.



BOARD PROFILE





Dr. Ijaz Munir Chief Secretary to the Government of Azad Jammu and Kashmir and Chairman Board of Directors of BAJK is a member of Pakistan Administrative Service. He belongs to DMG Group of federal services. He has vast experience in management and administration at his credit which includes various top hierarchy administrative positions in federal and provincial governments. Prior to joining the current assignment he has served as Additional Secretary at the Prime Minister's Secretariat, Government of Pakistan and Secretary to Government of Punjab heading various provincial Departments. He holds a Masters Degree in Business Administration and Management from Imperial College London.



IMRAN SAMAD Managing Director/CEO

Mr. Imran Samad CEO & Managing Director of BAJK since November 2016 has been associated with the banking profession for over three decades. After his MBA, he started his career with PICIC as a financial analyst and worked in various capacities dealing with industry and finance. He has rich experience of dealing with domestic banking sector and multilateral agencies. His expertise in Corporate Finance, Retail Banking, Consumer Finance, Islamic Banking, Agriculture Finance, SMEs, Micro Credit, etc. over the years in various banks has earned him repute in the areas of business development and organizational turnaround. Recognized as an effective team leader, he has authored various articles and is also known as a leading resource person on banking and finance. He has served NIB Bank as a Senior Executive and had been associated in turning around The Bank of Khyber firstly in the capacity of Group Head, CMG, Group Head Business Management and subsequently, as Managing Director. He has also been appointed by the government of AJK as the Director of Azad Kashmir Small Industries Corporation (AKSIC)



FARID AHMAD TARAR DIRECTOR

Mr. Farid Ahmad Tarar is Secretary to the Government of Azad Jammu and Kashmir heading the Finance Department and Director on the Board of BAJK. He is a senior civil servant belonging to the Pakistan Audit and Accounts Group. He has worked in different senior positions including Commercial Counsellor, Embassy of Pakistan, Rome, Italy. He has attended various training programs on audit and accounts including 20th Senior Management Course (Lahore), Course on Social Safety Nets (Washington DC at World Bank Headquarters), Economic Policy and Management (International Unit, National Institute of Public Administration, Kuala lumpur, Malaysia), Seminar/Workshop on Public Private Partnership as an Instrument of Economic Growth and Productivity (International Finance Commission Headquarters Dubai), Project Management (Business Management Consultants, USA) and much more. He has more than 20 years of experience in public sector encompassing areas of Public Policy, Finance, Taxation, Trade, Fiscal, Monetary, Economic & Investment Policy's design, development and implementation. Mr. Tarar did his M.B.B.S (King Edward Medical College, Lahore), MBA Finance (Institute of Business Administration, University of Punjab) and M.Sc Accounting & Finance, Manchester Business School, University of Manchester, UK.

BOARD PROFILE







FAYYAZ ALI ABBASI Director

Mr. Fayyaz Ali Abbasi Senior Member, Board Of Revenue (SMBR) and Director Board BAJK holds a Masters Degree in Development Management from London School of Economics and Political Science and also a Masters of Philosophy (M. Phil.) Degree in International Relations and Affairs from reputed Quaid-e-Azam University, Islamabad. He has vast experience in management, administration and planning to his credit which includes holding of various top hierarchy administrative positions. He has served as Commissioner in AJK and headed various departments as Secretary to Government of Azad Jammu and Kashmir. He is also Director Board Azad Kashmir Mineral and Industrial Development Corporation (AKMIDC).

Syed Zahoor-ul-Hassan Gillani Director

Syed Zahoor-ul-Hassan Gilani is Secretary to the Government of Azad Jammu and Kashmir, heading the Forests, Wildlife, Fisheries and AKLASC Departments. He has served on various important administrative positions in the state. He is also on the board of Directors of Azad Kashmir Logging and Sawmills Corporation (AKLASC).

Raja Tario Masood Khan Director

Raja Tariq Masood Khan is Secretary to the Government of Azad Jammu & Kashmir. He is heading Industries, Commerce, Mineral Resources and Labour Departments. Holding academic qualifications in the field of Agriculture from reputed International Universities, he has served on various administrative positions of the State in the respective field. He has attended various trainings / courses and practically implemented the same for promoting agricultural strategies and activities in the State. He has more than 30 years of experience in public sector holding various key positions. Under his visionary leadership AKISC has become a sound contributor to the Small Industries Development in the state through its various schemes and has proved its strength by exhibiting a progressive outlook towards modernization, up-gradation of technology, quality consciousness, strengthening linkages with large & medium scale enterprises.

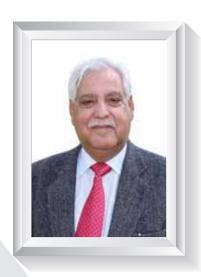


BOARD PROFILE





Mr. Ejaz Hussain Rathore is a fellow Member of the Institute of Chartered Accountants of Pakistan. He is in public practice since 1990, and is Partner-in-charge of Islamabad Office of PKF F.R.A.N.T.S. Pakistan & Afghanistan Chartered Accountants, a member firm of PKF International providing professional services in the fields of audit, accounting, tax and business management consultancy, Transaction advisory, mergers and acquisitions, IT Audits, Internet based trading system audits, penetration testing, to a wide range of clientele. Taxation and business consultancy are the fields of his special interest. Mr. Rathore has served on the Board of Directors of various organizations, representing the Government Interests. He has also participated as a delegate in many national and international events.



RAJA MUMTAZ ALI DIRECTOR

Raja Mumtaz Ali Director Board of the Bank of Azad Jammu and Kashmir is a Law Graduate and also holding Diploma in Banking from the Institute of Bankers Pakistan (IBP). He has rich and diversified experience in Banking and has held key Management positions at Allied Bank Ltd. His stint in banking sector spreads over a period of four decades.

He has the honor to be the pioneer Managing Director/CEO of BAJK. During initial critical period of treading of the Bank he successfully erected the structure of the Bank on sound footing and in a very short span made it emerge as a viable and profitable corporate entity of the state. He served the Bank for five years (i.e., from September 2006 to August 2011), leaving behind the legacy of continued successes and significant achievements.



NAVEED SADIO DIRECTOR

Mr. Naveed Sadiq Director on the Board of the Bank is a reputable business professional bringing with him rich and diversified experience in the fields of construction industry, imports exports and real estate in international business hub of Dubai. After coming to Pakistan way back in 2009 he has further diversified his entrepreneurial pursuits by including marketing and tourism development in his business domain. Presently, he is CEO of Trans Freight and Industrial Power Pvt. Ltd. He is a well travelled person having deep interaction with top business houses. He possesses an innovative mind and entrepreneurial insight.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Dr. Ijaz Munir, Chief Secretary, AJ&K	Chairman
Imran Samad, CEO, BAJK	Managing Director
Farid Ahmad Tarar, Secretary Finance, AJ&K	Director
Fayaz Ali Abbasi, SMBR, AJ&K	Director
Zahoor-ul-Hassan Gilani, Secretary Forests, Wildlife, Fishries & AKLAS	SC, AJ&K Director
Raja Tariq Masood Khan, Secretary Industries, Commerce,	
Mineral Resources & Labour, AJ&K	Director
Ejaz Hussain Rathore, Chartered Accountant	Director
Raja Mumtaz Ali, Senior Banker	Director
Naveed Sadiq, Renowned Businessman	Director

EXECUTIVE COMMITTEE OF ROD

LYECOLLAG COMMITTEE OF	DOD
Farid Ahmad Tarar	Chairman
Imran Samad	Member
Raja Tariq Masood Khan	Member

AUDIT COMMITTEE OF BOD

RODII COMMINITIEE OF DOD	
Fayyaz Ali Abbasi	Chairman
Farid Ahmad Tarar	Member
Ejaz Hussain Rathore	Member
Raja Mumtaz Ali	Member



IT COMMITTEE Raja Tariq Masood Khan Imran Samad Syed Zahoor-ul-Hassan Gillani Ejaz Hussain Rathore

Company Secretary Maazullah Khan

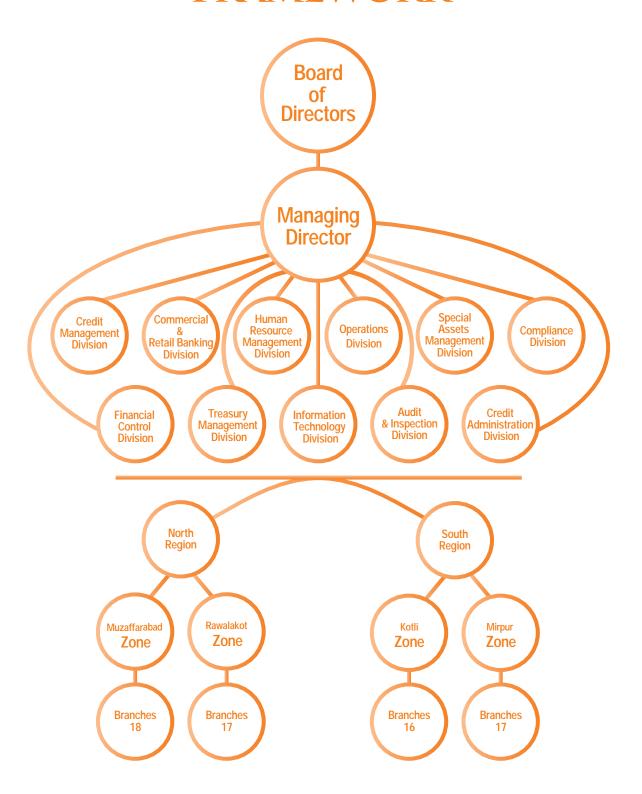
Chairman Member Member Member

AUDITORS Deloitte Yousuf Adil

Chartered Accountants

REGISTERED OFFICE Bank Square, Chattar Domel, Muzaffarabad AJK

GOVERNANCE FRAMEWORK





MANAGEMENT TEAM



Muhammad Hanif Divisional Head HRMD



MAAZULLAH KHAN DIVISIONAL HEAD OPERATIONS



ABDUL HAMEED RAJA DIVISIONAL HEAD A&ID



MUHAMMAD AFSAR CHIEF COMPLIANCE OFFICER



SYED AFTAB HUSSAIN GILANI DIVISIONAL HEAD SAMD



Shahid Shahzad Mir Cfo



MUHAMMAD AKRAM AWAN DIVISIONAL HEAD CAD



AHTESHAM MALIK Divisional Head IT



ZAMURRAD HUSSAIN
REGIONAL CONTROLLER NORTH



HAFEEZULLAH
REGIONAL CONTROLLER SOUTH



MANAGING DIRECTOR'S SECRETARIAT

Mr. Imran Samad

Managing Director/CEO Email: md@bankajk.com

Mr. Naveed Ahmad

PS0

Ph: 05822-921366 Fax: 05822-921364

Email: naveedahmad@bankajk.com

OPERATIONS DIVISION

Mr. Maazullah Khan

Divisional Head Ph: 05822-924247 Fax: 05822-921983

Email: dh_operations@bankajk.com

Mrs. Raheela Javed

General Manager (Home Remittances) Ph: 05822-924264 Fax: 05822-921983 Email: gm_remittances@bankajk.com

Mr. Tashfeen Gilani

General Manager Ph: 05822-921563

Email: tashfeen.gilani@bankajk.com

Mr. Jalil Muhammad

Manager Ph: 05822-924245 Fax: 05822-921983

Email: manager_ops@bankajk.com

AUDIT & INSPECTION DIVISION

Mr. Abdul Hameed Raja

Divisional Head Ph: 05822-921624 Fax: 05822-921983 Email: dh_audit@bankajk.com

FINANCIAL CONTROL DIVISION

Mr. Shahid Shehzad Mir

Divisional Head Ph: 05822-921372 Fax: 05822-921363 Email: cfo@bankajk.com

Mr. Liaqat Ali Khan

Manager Ph: 058222-921379 Fax: 05822-921363 Email: finance@bankajk.com

Treasury Management Division

Mr. Shahid Shahzad Mir

Divisional Head Ph: 05822-921372 Fax: 05822-921363 Email: cfo@bankajk.com

Information Technology Division

Mr. Ahtesham Malik

Divisional Head Ph: 05822-921118 Fax: 05822-921983 Email: dh_it@bankajk.com

Mr. Khalid Mehmood

AVP

Ph: 05822-921564 Fax: 05822-921983

Email: Khalid.mehmood@bankajk.com

Mr. Awais NisarAbbasi

Manager Ph: 05822-921564 Fax: 05822-921983 Email: it.awais@bankajk.com



MANAGEMENT FUNCTIONARIES

SPECIAL ASSETS MANAGEMENT DIVISION

Syed Aftab Hussain Gillani

Divisional Head, Ph: 05822-921487 Fax: 05822-921062 Email: dh_samd@bankajk.com

Mr. Akhtar Hussain

General Manager (Micro & Agri Credit) Ph: 05822-921062 Fax: 05822-921483 Email: gm_samd.agri@bankajk.com

Raja Ghulam Mustafa

General Manager (Commercial) Ph: 05822-921644 Fax: 05822-921483 Email: gm_samd.comm@bankajk.com

Mr. Liaqat Awan

General Manager (Consumer)
Ph: 05822-924241
Fax: 05822-921483
Email: gm_samd.coms@bankajk.com

Compliance Division

Mr. Muhammad Afsar

Chief Compliance Officer Ph: 05822-921635 Fax: 05822-921983 Email: cco@bankajk.com

Ms Madiha Tariq

Manager Ph: 05822-924244 Fax: 05822-921983 Email: manager_compliance@bankajk.com

CREDIT ADMINISTRATION DIVISION

Mr. Muhammad Akram Awan

Divisional Head Ph: 05822-921562 Fax: 05822-921562 Email: dh_cad@bankajk.com

Credit Management Division

Mr. Muhammad Akram Awan

Divisional Head Ph: 05822-921562 Fax: 05822-921562 Email: dh_cmd@bankajk.com

Mr. Tariq Mahmood Khan

General Manager Ph: 05822-921650 Fax: 05822-921983 Email: gm_credit@bankajk.com

Mr. Shahid Khan

Manager Ph: 05822-921625 Fax: 05822-921983 Email: credit@bankajk.com

Human Resource Management Division

Mr. Muhammad Hanif

Divisional Head Ph: 05822-921625 Fax: 05822-921983 Email: dh_hrd@bankajk.com

Mr. Basharat Hussain

Manager Ph: 05822-924244 Fax: 05822-921983 Email: manager_hrd@bankajk.com

REGIONS

REGIONAL OFFICE NORTH

Near Shah Anayat Darbar, Upper Adda Muzaffarabad

Mr. Zamurrad Hussain Regional Controller Ph: 05822-923209-10 Fax: 05822-921063 Email: rc_n@bankajk.com

ZONAL OFFICE MUZAFFARABAD

Near Shah Anayat Darbar, Upper Adda Muzaffarabad

Raja Ghulam Mustafa Zonal Chief Ph: 05822-447058, 920684 Fax: 05822-447058 Email: zone.mzd@bankajk.com

REGIONAL OFFICE SOUTH

Nishat Center, Allama Igbal Road, Mirpur

Mr. Hafeezullah Regional Controller Ph: 05827-920132-921410 Fax: 05827-921484 Email: rc_s@bankajk.com

ZONAL OFFICE MIRPUR

Nishat Center, Allama Iqbal Road, Mirpur

Mr . Muhammad Arif Chaudhary Zonal Chief Ph: 05827-921449 Fax: 05827-921033 Email:zone.mzd@bankajk.com



ZONAL OFFICE RAWALAKOT

PDA Housing Society, Bank Road Rawalakot (Ex-Mong Road)

Mr. Muhammad Imtiaz Shaheen Zonal Chief Ph: 05824-920522 Fax: 05822-920521 Email: zone.rkt@bankajk.com



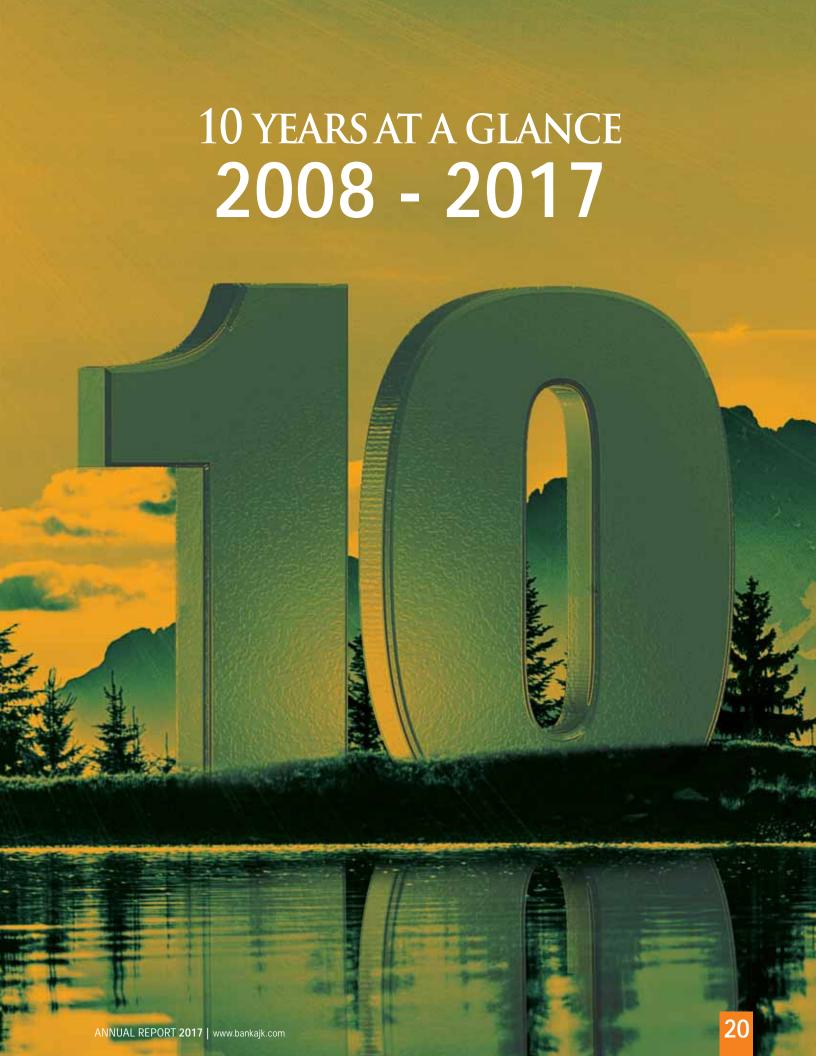
ZONAL OFFICE KOTLI

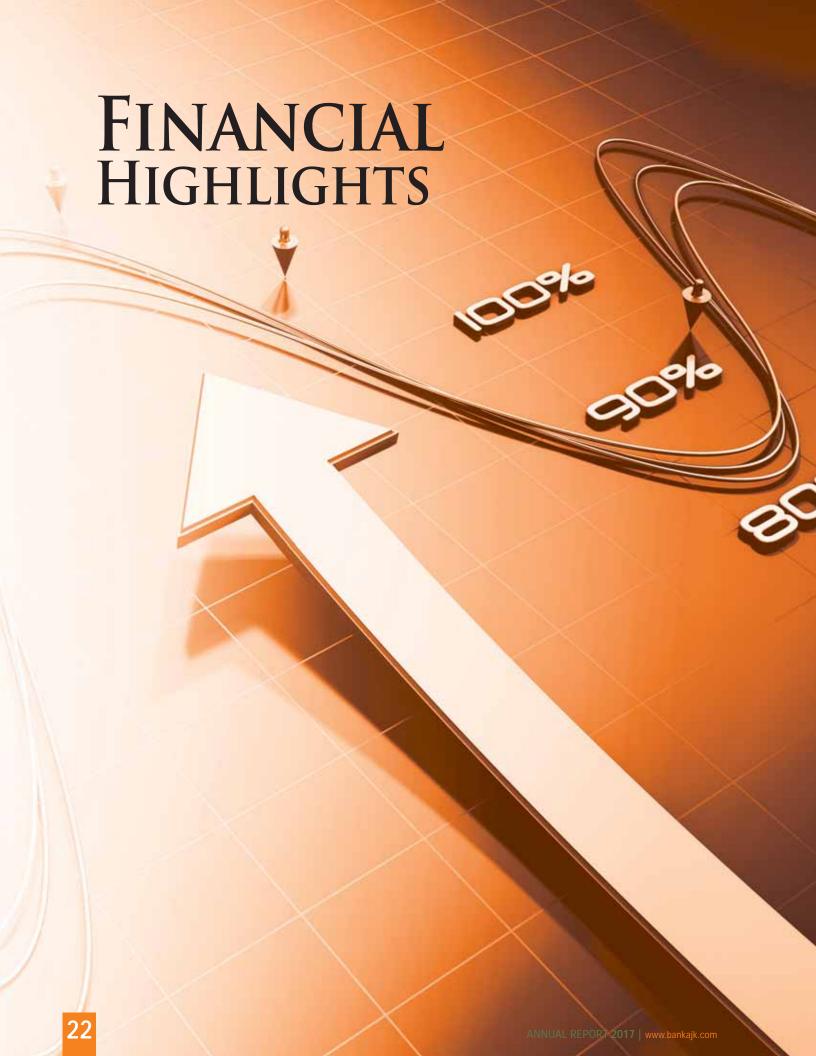
Opposite GPO, Rawalpindi Road Kotli

Mr. Muhammad Javed Iqbal Zonal Chief Ph: 05826-920246 Fax: 05826-920246 Email: zone.kti@bankajk.com





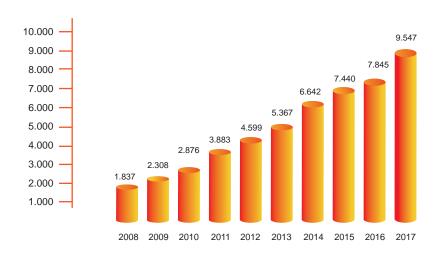






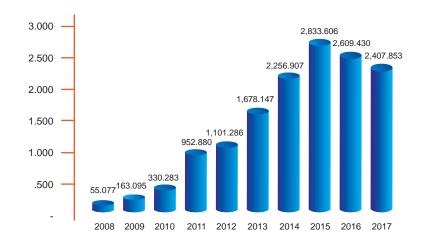
DEPOSITS

Rs. IN MILLION

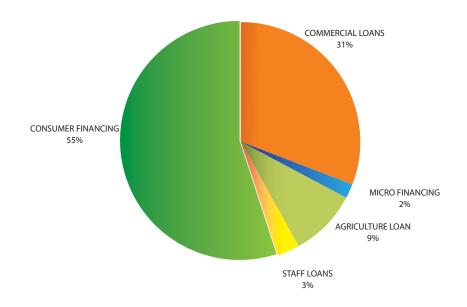


ADVANCES

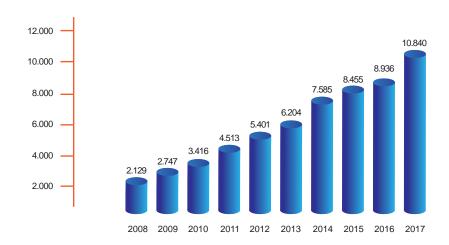
Rs. IN MILLION



ADVANCES MIX (%)

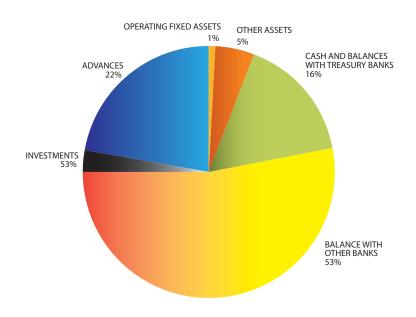






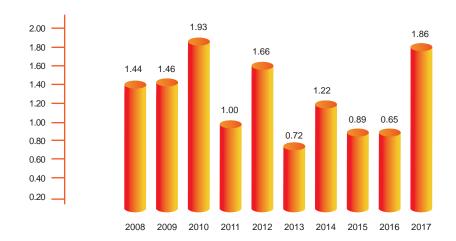


ASSETS MIX (%)

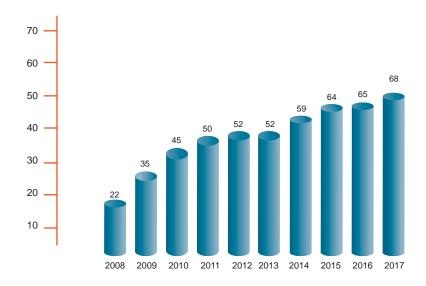


EARNING PER SHARE

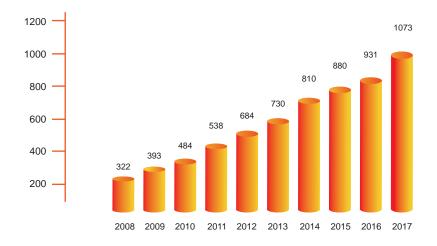
Rupees



No. of Branches



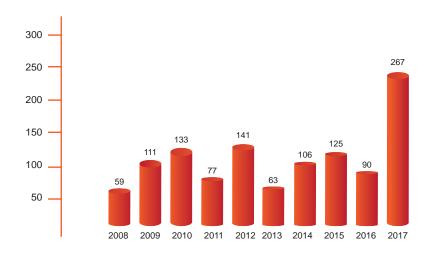
EQUITY Rs in Million





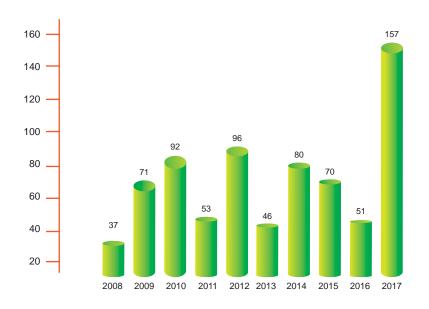
Profit Before Tax

Rs in Million



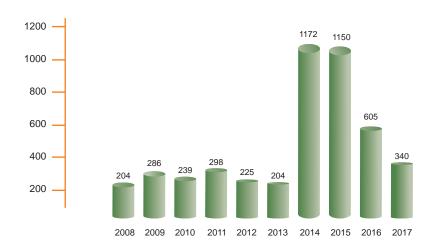
Profit After Tax

Rs in Million



INVESTMENTS

Rs in Million







Managing Director

Dear Share Holders,

Your Board of Directors have the pleasure to present the 12th Annual Report together with Audited statement of Financial Position, Profit and Loss Account and report on business and operations for the year ending 31st December 2017.

Economy

Pakistan's economy performed well during the year 2017. Real GDP growth maintained its upward line and improved to 5.3% for fiscal year 2016 - 2017 which is the highest in a decade. Pakistan has been ranked the third fastest growing economy in the world as per IMF world outlook database. The Government's efforts to address the chronic power shortage in the country has finally started to bear fruit with 2,873 MW additional capacity coming on line. This has reduced the disruption faced by industry due to power 'black-outs'. Overall improvement in business sentiment, historic low interest rate and increased infrastructure spending with a big push from projects under China Pakistan Economic Corridor (CPEC) has boosted private sector credit off-take during the year. Another positive development was the improvement in the law and order situation in the country and this has been one of the factors that has increased business confidence. The high growth of the economy has also brought its fair share of challenges, particularly on external and fiscal account. Renewed pressure on external account finally gave way to a much-needed adjustment in currency as Pakistan Rupee was depreciated in early December 2017.

Banking Sector

Banking sector's advances grew 17 percent to Rs. 6.53 trillion in 2017 as soft interest rate whetted appetite of funds for industrial sector's expansion as compared to 5.57 trillion last year 2016. The growth in advances to rising economic growth, multi-decade low interest rates, growth in large scale manufacturing and rising capacity expansions. The central bank kept its key policy rate unchanged at 5.75 percent since May 2016 to support growth resultantly "the prospects of achieving 6 percent target of real GDP growth (in FY2018) continue to be strong informed by the State bank of Pakistan while announcing the November monetary policy statement. The growth was recorded at a decade-high of 5.3 percent during the last fiscal year of 2016/17. Advances to deposit ratio (ADR) improved to 53 percent in 2017 as compared to 50 percent in 2016.

"This indicates an encouraging trend as growth in advances outpaced deposit growth during the year. "Going ahead, advances could grow further despite the expectation of rate hike as ADR is still low compared to level of over 70 percent seen in 2008." In 2017, deposits of banks increased 10 percent to Rs12.36 trillion. The growth was 20 percent in the previous year because banks focused on improving their deposit profile rather than going after volumes in 2017.

Private sector's credit rose 11 percent during the year 2017 as compared to six percent growth in the corresponding period a year earlier. Banking sector's investment continued to rise, posting a growth of 18 percent to Rs 8.54 trillion in 2017. Consequently, investment to depos it ratio (IDR) increased to 69 percent from 65 percent a year earlier. "Banks as of December 2017 stood more leveraged as compared to the last year and used repo borrowing to earn a positive spread on investments, evident from the sum of IDR and ADR, which has crossed 122 percent in 2017 versus 114 percent in 2016."

Bank's Performance Review

In 2017 the management firstly opted to adopt a strategy of consolidation of existing operations, technology up-gradation, improving the quality of human resource for long term sustainability and competitiveness of the institution. Secondly, on business side an aggressive strategy was adopted to enhance the outreach of the bank to all segments of customers and emerge as a catalyst of change in the socio economic conditions by generating economic activities with focus on the low income groups of society through lending policies and corporate social responsibility (CSR) programs at gross root level.

The overall banking sector in AJK remained vibrant in highly competitive market environment, services and technol-



ogy interface in terms of collecting savings but remained shy in lending to SMEs, Agriculture and other sectors of the economy. As per SBP Data, total deposits generated by all banks during 2017 from the AJK region amounts to Rs.289 billion against which advances stands at Rs.12 billion showing an ADR of 4%. Bank AJK with a deposit base of Rs. 9.547 billion has an outstanding advances figure of Rs. 2.575 billion showing an ADR of 25% depicts the determination to cater the financing needs of the region. Being confronted with the problems of "Non-scheduled Status", the Bank continues to make steady progress in difficult conditions. During the year 2017, the bank's deposits grew by 22% which is much higher than the deposit growth of the banking industry.

During 2017 the Bank focused on regularization of non performing portfolio which were reached at 397 million as at December 31, 2016. For the said purpose a Special Asset Management Division was established resultantly, the non performing portfolio decreased by 102. Total Income increased by 35 million or 4% mainly contributed by treasury operations while cost of deposit decreased by 6%.

The bank earned total revenues of PKR 894 million against expenses of PKR 690 million posting operating profit of PKR 204 million during 2017, This was achieved despite pressure on profitability due to low level of discount and higher cost of funds on account of higher cost of government deposits picked while competing with the well-established scheduled banks working in the Region remained regressive factors. Due to decrease in Non performing portfolio in 2017, Rs. 63 million-net provision on

NPL added back to the profitability of the bank. During the year before and after tax profit of the bank grew by 200% and 214% as compared to 2016.

The Bank registered a growth of 10 % in overall customer base accounting for 13,403 new relationships by the end of 2017 marking the trust and confidence of people choosing BAJK for their banking needs

Capital Adequacy Ratio (CAR) and Earning Per share

The Net Worth of the Bank crossed a billion mark and increased to 1,063 million, in the year 2017, from 949 million of 2016.

The Capital Adequacy Ratio (CAR) under BASEL-III stood at 21.82%, as on 31st December 2017, which is above the norm of 10% stipulated by the State Bank of Pakistan. Similarly, the Tier-I component of CAR stood at 21.12%, as on 31st December, 2016 which is much above the norm of 6% stipulated by the State bank of Pakistan. The advantage has stemmed mainly due to healthy assets and high rated Investment. The Earnings per Share for the year 2017 stood at 1.86 as compare to 0.64 in 2016 higher by 197%. During the year under review, various improvements were made to the CAR reporting systems to facilitate the Basel-III reporting framework requirement.

Special Assets Management Division (SAMD)

The Special Assets Management Division

of the Bank was established in 2017 and entrusted with the task of recovery/regularization of Non-Performing Loans (NPLs) portfolio. In this regard, a comprehensive strategy has been implemented to recover and restructure the infected portfolio for early recovery and to convert its stagnant portfolio into generating assets. Resultantly, the Non Performing portfolio decreased by 25% in 2017.

Home Remittances

The Bank is following the strategy to enlarge its market share in Home Remittances by offering automated efficient processes to facilitate this service. In this regard, arrangement was made with renowned overseas Exchange Companies like Money Gram and RIA to facilitate Home Remittances in a secure and efficient manner. During the year 2017, the Bank experienced a 110% growth in remittance transactions over 2016 aggregating to Rs. 213.331 million.

Customer Services and Operations

As a service organization, customer service and customers satisfaction is the prime concern of the Bank. With the ever changing profile of the customers, and their growing expectations day by day, the BAJK is going to fine tune its customer services and sharpen the marketing skills of its employees. In 2018 BAJK will implement a comprehensive policy on customer service to meet customers' expectations satisfactorily and also to provide better customer services to different categories of its clientele for promotion of Banks business.

Future Outlook

The bank will continue to remain focused on its mandate of lending to business activities in the private sector thus contributing objectively towards socio economic development, promotion of employment opportunities, rural development and poverty reduction in the region. The bank will extend the outreach of the unbanked area and opening of 10 new branches in the state and ultimately the customer's base of the bank. This will expand the capacity of the bank and brand equity which will further enable the bank to intensify its lending activities in the private sector, which will add to its efforts of socio economic development of state and wellbeing of its people. In order to stay with modern banking trends, better positioning in the market, the management teams set some key objectives for 2018-2020 to uplift this bank in line with any other Scheduled bank.

Regulatory Objectives

Banking Operations in line with SBP Prudential Regulations and generally accepted banking norms and principles.

To acquire scheduled bank status to remain competitive among Peer Banks in AJK & Pakistan.

Operational Objectives

To act as Principal Banker / Treasury to the Govt. of AJK entrusted by section 18 of BAJK Act 2005.

To act as Lead Bank role and financing arm to the Govt. of AJK in Socio Economic development of the state.

IT up-gradation (Implementing Core Banking software)

Deployment of Technological Platform for providing Modern and Efficient Banking Services

To improve Service Quality through excellent Customer Care.

Operational Objectives

Implementation of Internal Controls in terms of SBP guidelines. (Strengthening Compliance, Risk Management System, Customers due diligence and Anti Money Laundering mechanism) Strengthening policy framework and systems

Integration of Senior Management Team.

Improving outlook of branches and establishment of bank's own Staff Training Center

Business Expansion Objectives

Commencement of Islamic Banking
Branch Expansion country wide and
beyond boundaries especially in UK &
Middle East.

Strengthening Earning Capacity through innovative products and service quality

Sub Agency agreement with leading exchange companies for Home Remittances

Advertising and Publicity

Continuing with its proactive approval of brand positioning within the wider public consciousness and memory, the Bank maintained its brand primacy during the year 2017.

The Bank's products, services, functioning and achievements were effectively

advertised by several times and communicated to the respective target audience, which includes customers, stakeholders and general public through circulation of product brochures, Publicity material, Annual Reports and new year give-aways, not only within the territory of AJK but to other regions with potential business.

Corporate Social Responsibility-CSR

As a good corporate entity of the State, BAJK is fully responsive to its Corporate Social commitment through participation in supporting the genuine cause in the follwoing areas:

Sports

Community welfare

Plantation/ Environmental up gradation Health/Education and youth activities.

The bank proactively and generously extended its support for the promotion of community welfare, public health and education. It will be worthwhile to mention that BAJK is the only institution in AJK which warmly welcomes the students of business, commerce and IT to undergo their internships and enrich their hands on practical experience in banking.

Auditors

Bank's existing External Auditors M/s. A.F Fergusons and Co., Chartered Accountants, after completion of two years showed their inability to continue as auditors due to engagement in 2018. Resultantly, the Bank required to appoint new auditors for the year ending December 31, 2017.

The Board of Directors, on the suggestions of Audit Committee, recommended





appointment of Deloitte Yousuf Adil, Chartered Accountants as statutory auditors of the Bank for year ending December 31, 2017.

Statements under Section 52(4) Of Bank's Bye-laws 2007

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

The financial statements prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity. Proper books of accounts have been maintained by the Bank. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards as applicable in Pakistan have followed and any departure there from has been adequately disclosed. The system of internal controls is sound in design and has been effectively implemented and monitored.

Acknowledgements

The Directors thank the valued customers, shareholders and well-wishers for their goodwill, patronage and support. The Directors acknowledge with gratitude the valuable support received from Government of AJK, Kashmir Council, and agent Banks in the functioning of the Bank. The Directors specially acknowledge the State Bank of Pakistan for taking interest in Scheduling process of the Bank of AJK. The Directors place on record their deep appreciation of the valuable contribution of all staff at all levels for the progress of the Bank during the year and look forward to their continued cooperation in realization of the Bank's targets in the years ahead.

May Allah Almighty bestow His blessings upon us. For and on behalf of the Board of Directors

(Imran Samad)

Managing Director/CEO

AUDITOR'S REPORT



Deloitte.



Deloitte Yousuf Adil

Chartered Accountants #18-B/1 Chohan Mansion, G-8 Markaz, Islamabad Pakistan

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www.deloitte.com

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

Opinion

We have audited the financial statements of The Bank of Azad Jammu and Kashmir (the Bank), which comprise statement of financial position as at December 31, 2017, profit and loss account for the year then ended, statement of other comprehensive income for the year then ended, statement of changes in equity for the year then ended, cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of the Bank present fairly, in all material respects, the financial position of the Bank as at December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan and the requirements of The Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and its Bye-Laws 2007 (the Bye-Laws).

Basis for opinion

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

Other Information

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

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

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

Other Matter

The financial statements of the Bank for the year ended December 31, 2016 were audited by another firm of Chartered Accountants who had expressed unmodified opinion vide their report dated June 07, 2017.

Deloitte Yousuf Adil Chartered Accountants



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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Deloitte.



Deloitte Yousuf Adil Chartered Accountants

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chartered Accountants

Engagement Partner:

Shahzad Ali

Islamabad

Date: March 28, 2018





STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

ASSETS	Note	2017 Rupees ii	2016 n '000
Cash and balances with treasury banks Balances with other banks Lending to financial institutions	6 7	1,755,794 5,748,385	1,299,452 3,843,415
Investments Advances	8 9	339,791 2,407,853	604,748 2,609,430
Operating fixed assets Deferred tax assets	10 11	117,060 22,845	115,638 13,386
Other assets	12 _	448,931 10,840,659	450,252 8,936,321
LIABILITIES			
Bills payable Borrowings	13	31,808	8,716
Deposits and other accounts Sub-ordinated loans Liabilities against assets subject to finance lease Deferred Government grant	14	9,547,215 - - -	7,845,625 - - -
Other liabilities	15	198,402 9,777,425	132,659 7,987,000
NET ASSETS	=	1,063,234	949,321
REPRESENTED BY			
Share capital Reserves	16	848,919 -	785,977 -
Unappropriated profit	-	223,711 1,072,630	145,225 931,202
(Deficit)/Surplus on revaluation of assets - net of tax	17 _	(9,396) 1,063,234	18,119 949,321
	=		·

CONTINGENCIES AND COMMITMENTS

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

Chairman

Managing Director

Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016
	Note	Rupees	in '000
Mark-up / return / interest earned	21	842,870	808,798
Mark-up / return / interest expensed	22	327,143	333,382
Net mark-up / interest income		515,727	475,416
(Reversal) / provision against non-performing loans and advances - net	9.4	(63,016)	79,711
Provision for diminution in the value of investments - net		- []	-
Bad debts written off directly		-	-
		(63,016)	79,711
Net mark-up / interest income after provisions		578,743	395,705
Non mark-up / interest income			
Fee, commission and brokerage income		16,506	17,315
Dividend income		4,997	10,691
Income from dealing in foreign currencies		-	-
Gain on sale of securities - net	23	27,616	17,113
Unrealized gain / (loss) on revaluation of investments			
classified as held for trading - net		-	-
Other income	24	2,383	5,619
Total non-markup / interest income		51,502	50,738
No. and Determine		630,245	446,443
Non mark-up / interest expenses			
Administrative expenses	25	363,072	324,969
Other provisions / write offs		· -	31,866
Other charges		-	-
Total non-markup / interest expenses	_	363,072	356,835
		267,173	89,608
Extraordinary / unusual items		<u> </u>	
Profit before taxation		267,173	89,608
Taxation – current		(99,030)	(49,892)
– prior year		(5,702)	(5,542)
deferred		(5,357)	16,532
	26	(110,089)	(38,902)
Profit after taxation	_	157,084 	50,706
Unappropriated profit brought forward		66,627	94,519
Profit available for appropriation		223,711	145,225
	_		
Basic earnings per share - Rupees	27	1.86	0.65

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

Chairman

Managing Director

Director

Director



TEN YEARS AT A GLANCE



(2008 to 2015)

Rupees in Million

Balance Sheet	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Assets	10,841	8,936	8,455	7,585	6,204	5,401	4,514	3,417	2,748	2,130
Advances (net)	2,408	2,609	2,834	2,257	1,678	1,101	953	330	163	55
Investment	340	605	1,150	1,172	204	225	298	239	287	204
Equity	1,073	931	880	810	730	684	538	484	393	322
Deposits	9,547	7,846	7,441	6,643	5,368	4,600	3,883	2,877	2,309	1,837
Operating Results										
Mark-up / return / interest earned	843	809	795	723	562	555	426	347	295	194
Mark-up / return / interest expensed	327	333	376	378	320	293	176	146	115	86
Net Markup Based Income	516	475	419	346	242	262	249	202	180	108
Non Markup Based Income	52	51	39	56	45	46	19	27	8	14
Non Markup Based Expenses	363	325	285	243	207	159	118	94	69	49
Operating Profit	204	201	172	159	81	150	150	134	119	73
Provision	(63)	112	47	53	18	9	73	1	8	14
Net Profit/(Loss) Before Tax	267	90	125	106	63	141	77	133	111	59
Net Profit/(Loss) After Tax	157	51	70	80	46	96	53	92	71	37
Other Information										
Earning per share (Rupees)	1.86	0.65	0.89	1.22	0.72	1.66	1.00	1.93	1.46	1.44
Number of Branches	68	65	64	59	52	52	50	45	35	22

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rupees i	2016 n '000
Profit after tax for the year	157,084	50,706
Other comprehensive income Components of comprehensive income not reflected in equity		
(Deficit)/surplus on revaluation of available for sale securities Surplus on revaluation of assets transferred to profit and loss Related deferred tax credit / (expense) Deferred tax expense for the prior period	(42,331) 18,756 8,251	14,365 - (5,027) -
Comprehensive income transferred to equity - net of tax	(15,324) ————————————————————————————————————	9,338

Surplus / (deficit) arising on revaluation of "available for sale securities - net of tax" has been shown in the Statement of Comprehensive Income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan.

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

Chairman

Managing Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Share Capital Una	ppropriated profit	Total
		Rupees in '000	
Balance as at January 1, 2016	785,977	94,519	880,496
Total comprehensive income for the year ended December 31, 2016			
Net profit for the year ended December 31, 2016	-	50,706	50,706
Other comprehensive income related to equity	-	-	-
	-	50,706	50,706
Balance as at January 1, 2017	785,977	145,225	931,202
Transactions with owners during the year			
Issue of share capital - note 16.5 Dividend for the year ended December 31, 2016	62,942 -	- (78,598)	62,942 (78,598)
Total comprehensive income for the year ended December 31, 2017			
Net profit for the year ended December 31, 2017	-	157,084	157,084
Other comprehensive income related to equity	-	-	-
	-	157,084	157,084
Balance as at December 31, 2017	848,919	223,711	1,072,630

Director

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

Managing Director

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Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016
	Note	Rupees in	1 ^{'000}
Cash flow from operating activities			
Profit before taxation		267,173	89,608
Less: dividend income		4,997	10,691
		262,176	78,917
Adjustments:			1
Depreciation		22,019	22,976
Provision against non-performing loans and advances		(63,016)	79,711
Other provisions Gain on sale of fixed assets		(11)	31,866 (1,840)
Amortization of deferred government grant		(11)	(1,040)
Amortization of defended government grant		(41,008)	132,713
		221,168	211,630
Decrease / (increase) in operating assets		221,100	211,000
Advances		264,593	144,465
Other assets		(2,335)	(120,117)
		262,258	24,348
Increase / (decrease) in operating liabilities			
Bills payable		23,092	1,082
Deposits and other accounts		1,701,590	404,748
Other liabilities		41,571	11,855
		1,766,253	417,685
Cash generated from operations		2,249,679	653,663
Income tax paid		(76,904)	(87,794)
Net cash generated from operating activities		2,172,775	565,869
Cash flow from investing activities			
Net investment in available for sale securities		(25,000)	15,000
Net investment in held to maturity securities		247,626	545,082
Dividend income		4,997	10,691
Investments in operating fixed assets		(23,454)	(13,539)
Sale proceeds of operating fixed assets disposed off		24	2,048
Net cash flow from investing activities		204,193	559,282
Cash flow from financing activities			
Shares issued during the period		62,942	-
Dividend paid during the year		(78,598)	_
		(15,656)	-
Increase in cash and cash equivalents		2,361,312	1,125,151
Cash and cash equivalents at beginning of the year		5,142,867	4,017,716
Cash and cash equivalents at end of the year	28	7,504,179	5,142,867

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

Chairman

Managing Director

Director

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. STATUS AND NATURE OF BUSINESS

The Bank of Azad Jammu and Kashmir (the Bank) was established under The Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir holds directly and indirectly Bank's entire share capital at the year end.

The Bank has 68 branches (2016: 65 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 BSD Circular No 4 dated February 17, 2006, the Act and its Bye-Laws 2007 (the Bye-Laws).

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

3. STATEMENT OF COMPLIANCE

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

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Accordingly, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2017

Effective date (years beginning on or after)

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

January 1, 2017

January 1, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses

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

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

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

CUSTOMIZED PRODUCTS







Consumer Finances

- Advance Salary Loan
- Car Finace
- Motorcycle Loan
- Personal Loan
- Gold Loan
- Home Appliances Finance

Commercial Finances

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

Micro Finances

- Micro Finance
- Women Economic Development Finance

Agriculture Finances

- Agri Production
- Agri Development





Effective date (years beginning on or after)

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.

IFRS 9: 'Financial Instruments', This standard contains the requirements for a) the classification and measurement of financial assets and liabilities, b) impairment methodology, and c) general hedge accounting. This standards will supersede IAS 39 "Financial instrument" recognition and measurement upon its effective date.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

IFRS 15: 'Revenue from Contracts with Customers' This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretation upon its effective date: IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 customer loyalty programmes, IFRIC 15 agreements for the construction of real estate, IFRIC 18 transfers of assets from customers and SIC 31 Revenue-barter transaction involving advertising services.

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

Effective from accounting period beginning on or after January01, 2018. (Securities and Exchange Commission of Pakistan (SECP) has adopted for local application from accounting period beginning on or after July 1, 2018)

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Effective from accounting period beginning on or after January 01, 2018 (SECP has adopted for local application from accounting period beginning on or after July 1, 2018).

Effective from accounting period beginning on or after January 01, 2018. Earlier application is permitted.

Effective from accounting period beginning on or after January 01. 2018. Earlier application is permitted.

Effective from accounting period beginning on or after January 01 2019

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

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 14 Regulatory Deferral Accounts
- IFRS 16 Leases
- IFRS 17 Insurance Contracts



4.BASIS OF MEASUREMENT

4.1 Accounting Convention

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

Use of critical accounting estimates and judgments

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

- i) Classification of investments (note 5.2)
- ii) Provision against investments (note 5.2), advances (note 5.3), Operating fixed assets (note 5.4) and other assets (note 5.5)
- iii) Valuation and impairment of available for sale securities (note 5.2)
- iv) Useful life of property and equipment (note 5.4)
- v) Taxation (note 5.7)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Investments

Investments are classified as follows:

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate

movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements of the SBP's BSD Circular No. 10 dated July 13, 2004.

Held to maturity

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

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

Available for sale

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

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

5.3 Advances

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

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

5.4 Capital work-in-progress, operating fixed assets and depreciation

Capital work-in-progress

Capital work in progress is stated at cost.

Tangible assets

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

Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

Depreciation / amortization

Depreciation / amortization is computed on monthly basis over the estimated useful live of the related assets at the rates set out in note 10.2 on monthly basis. The cost of assets is depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

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

5.5 Impairment

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

5.6 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately

as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

5.7 Taxation

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

Current

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

Deferred

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

5.8 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 5.14 Appropriations subsequent to the date of statement of entitlement for leave encahsment as per policy of the Bank.

5.9 Revenue recognition

Mark-up / interest on advances and return on investments is year in which those appropriations are made. recognized on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up / 5.15 Segment reporting interest on rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP, except A segment is a distinguishable component of the Bank that is to do so.

of service.

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

Purchase and sale of investments are recorded on the dates of Corporate financing contracts. Gains / losses on sale of investments are also record- Corporate financing includes corporate and investment banking ed on those dates and are included in income currently.

5.10 Government grant

Government grant related to assets are reflected in the Statement placements. of Financial Position as deferred government grant which is recognized as income over the useful life of the depreciable Trading and sales assets equivalent to related depreciation charge.

these grants with the related expenses incurred.

5.11 Foreign currency transactions

of Financial Position.

5.12 Provisions

Provisions other than provision on advances (stated in note 5.3) Commercial banking are recognized when the Bank has a present legal and construc- Commercial banking segment provides services related to project be required to settle the obligation and a reliable estimate of the customers. amount of the obligation can be made.

5.13 Off setting

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

liabilities, simultaneously.

financial position

Appropriations subsequent to year end are recognised during the

where in the opinion of the management it would not be prudent engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment), which is subject to risks Fee, commission, etc. are recognized at the time of performance and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

5.15.1 Business segment

activities such as mergers and acquisition, underwriting, privatization, research, debt (government, high yield), equity, syndications, initial public offers and secondary private

Trading and sales includes the Bank's fixed income, equity, foreign exchanges, commodities, credit, funding, own position Revenue grants are recognized as income necessary to match securities, lending and repos, brokerage debt and prime brokerage.

Retail banking

Assets and liabilities in foreign currencies are translated into Pak Retail banking segment provides retail lending and deposits, Rupees at the exchange rates prevailing at the date of Statement banking services, trust and estates, investment advice, merchant / commercial / corporate cards and private labels and retail.

tive obligation arising as a result of past events and it is probable finance, real estate, export finance, trade finance, factoring, that an outflow of resources embodying economic benefits will leasing, lending, guarantees and bills of exchange to corporate

Payment and settlement

Payment and settlement includes income from payments and

Agency service include escrow, depository receipts, securities

lending (customers) corporate actions and issuing and paying agents.

Retail brokerage

All brokerage services provided by the Bank are included in this line of business.

5.15.2 Geographical segments

The Bank operates in Azad Jammu and Kashmir.

5.16 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.

	2017	2016
6. CASH AND BALANCES WITH TREASURY BANKS	Rupees in '000	
In hand:	00 570	70 200
Local currency With National Bank of Pakistan in:	98,579	70,298
Local currency running accounts - note 6.1	357,215	79.154
Local currency Term deposit accounts - note 6.2	1,300,000	1,150,000
	1,755,794	1,299,452

^{6.1} These include saving deposits carrying markup at the rate of 3.75% (2016: 4% to 5.46%) per annum.

6.2 This represents term deposits carrying markup at rates ranging between 5.9% to 6% (2016: 4.00% to 5.90%) per annum with maturities ranging from six months to one year.

7. BALANCES WITH OTHER BANKS In Pakistan (Azad Jammu and Kashmir)	2017 Rupees	2016 in '000
On current accounts On deposit accounts - note 7.1 & 7.2	51,118 5,697,267	50,061 3,793,354
	5,748,385	3,843,415



7.1 These include saving deposits carrying markup at rates ranging between 3.75% to 5.49% (2016: 4% to 5.46%) per annum.

7.2 These also include term deposits carrying markup at rates ranging between 5.80% to 19.84% (2016: 5.75% to 19.84%) per annum. Term deposits include an amount of Rs 300 million (2016: Rs 300 million) placed with a bank maturing in 2024. Remaining term deposits have maturities ranging from 3 months to 5 years.

8. INVESTMENTS

		2017		2016		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Units of open end mutual funds - note 8.4	155,000		155,000	130,000		130,000
Held to maturity securities						
Pakistan Investment Bonds - note 8.5	199,247	-	199,247	446,873	-	446,873
Term Finance Certificates - note 8.6	49,940	-	49,940	49,940	-	49,940
	249,187		249,187	496,813		496,813
	404,187	-	404,187	626,813	-	626,813
Provision for diminution in value of investment	(49,940)	-	(49,940)	(49,940)	-	(49,940)
	354,247		354,247	576,873	-	576,873
(Deficit)/surplus on revaluation of AFS securities - net	(14,456)		(14,456)	27,875		27,875
Total investments at market value	339,791		339,791	604,748		604,748

	2017 Rupees	2016 in '000
8.2 Investments by segments:		
Pakistan Investment Bonds - Federal Government securities	199,247	446,873
Units of open end mutual funds - listed	155,000	130,000
Term Finance Certificates - listed	49,940	49,940
Total investment at cost	404,187	626,813
Provision for diminution in value of investment - note 8.3	(49,940)	(49,940)
Investments (net of provision)	354,247	576,873
(Deficit)/surplus on revaluation of AFS securities - net	(14,456)	27,875
Total investments at market value	339,791	604,748

2017 2016 Rupees in '000

8.3 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

8.3.1 Particulars of provision in respect of type and segment

Held-to-maturity securities		
Term finance certificates	49,940	49,940

8.4 Units of open end mutual funds - listed

nits	Paid up value per unit		2017	2016	
2016 Rupees		Name of mutual fund	Rupees in '000		
785,423	87.96	National Investment Unit Trust Fund	50,000	50,000	
3,184,047	9.42	NIT Government Bond Fund	30,000	30,000	
2,501,742	11.55	NIT Islamic Equity Fund	50,000	25,000	
227,414	110.18	MCB Dynamic Cash Fund	25,000	25,000	
			155,000	130,000	
	2016 785,423 3,184,047 2,501,742	785,423 87.96 3,184,047 9.42 2,501,742 11.55	per unit Rupees Name of mutual fund 785,423 87.96 National Investment Unit Trust Fund 3,184,047 9.42 NIT Government Bond Fund 2,501,742 11.55 NIT Islamic Equity Fund	per unit 2017 2016 Rupees Name of mutual fund Rupees in 785,423 87.96 National Investment Unit Trust Fund 50,000 3,184,047 9.42 NIT Government Bond Fund 30,000 2,501,742 11.55 NIT Islamic Equity Fund 50,000 227,414 110.18 MCB Dynamic Cash Fund 25,000	

Pakistan Investment Bonds carry markup at the rate 11.50% (2016: 11.25% to 11.50%) per annum with semi annual coupon payments and principal repayment maturing in July 2018.

8.6 Investments in term finance certificates - listed

No. of ce	rtificates		Redeemable value per certificate	2017	2016
2017	2016	Name of company	(Rupees)	Rupees in	'000
10,000	10,000	Pace Pakistan Limited	4,994	49,940	49,940

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

8.7 Quality of available for sale securities

	2017		2016	
Local securities	Market value Rupees in '000	Rating	Market value Rupees in '000	Rating
Units of open end mutual funds				
National Investment Unit Trust Fund	40,113	3 - Star	68,756	4 - Star
NIT Government Bond Fund	32,514	AA	32,353	AA-
NIT Islamic Equity Fund	43,249	AA-	32,097	AA-
MCB Dynamic Cash Fund	24,670	A+ (f)	24,669	AA+
	140,545		157,875	

Ratings for these equity securities represent 'Funds Ratings'. Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS). These ratings reflect independent credit risk assessment by respective credit rating entities.



9. ADVANCES

9.	ADVANCES		2017	2016
		Note	Rupees i	n '000
	Loans, cash credits, running finances, etc. In Pakistan (Azad Jammu and Kashmir)			
	Running and demand finance Agriculture finance loans Micro finance loans Consumer finance loans Staff loans	9.2	792,386 232,038 40,253 1,416,972 92,911	860,515 327,643 69,220 1,499,199 82,576
	Advances - gross		2,574,560	2,839,153
	Provision for non-performing loans and advances - note 9.4			
	Specific provision General provision		(122,169) (44,538) (166,707)	(172,313) (57,410) (229,723)
	Advances - net of provision	=	2,407,853	2,609,430
9.1	Particulars of advances (Gross) In local currency In foreign currency		2,574,560	2,839,153
	in foreign currency	_	2,574,560	2,839,153
		=	-	
9.1.1	Short term (for upto one year) Long term (for over one year)		751,129 1,823,431	771,270 2,067,883
		=	2,574,560	2,839,153
9.1.2	In Pakistan (Azad Jammu and Kashmir) Outside Pakistan		2,574,560 -	2,839,153 -
		=	2,574,560	2,839,153

^{9.2} Running and demand finance includes advances to a related party amounting to Rs. 305,624 thousand (2016: Rs 250,500) thousand).

9.3 Advances include Rs. 295,228 thousand (2016: Rs 397,445 thousand) which have been placed under non-performing status are detailed below:

	December 31, 2017								
	Classified Advances			Provision required			Provision held		
Category of classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
				(Ruj	pees in '000')				
Other Assets Especially									
Mentioned - note 9.3.1	34,396	-	34,396	-	-	-	-	-	-
Substandard	57,714	-	57,714	9,450	-	9,450	9,450	-	9,450
Doubtful	58,925	-	58,925	12,801	-	12,801	12,801	-	12,801
Loss	144,193	-	144,193	99,918	-	99,918	99,918	-	99,918
	295,228	-	295,228	122,169	-	122,169	122,169	-	122,169
				Dece	mber 31, 2016				
	Cla	ssified Advance	s	Prov	ision required		F	Provision held	
Category of classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially				(Ruj	pees in '000')				
Mentioned - note 9.3.1	85,290	-	85,290	-	-	-	-	-	-
Substandard	111,155	-	111,155	22,504	-	22,504	22,504	-	22,504
Doubtful	46,195	-	46,195	22,506	-	22,506	22,506	-	22,506
Loss	154,805		154,805	127,303		127,303	127,303		127,303
	397,445	- '	397,445	172,313	-	172,313	172,313	-	172,313

- 9.3.1 This represents classification for agricultural finances.
- 9.4 Particulars of provision against non-performing advances

	Decer	mber 31, 2017		(Rupees in '000')		
	Specific	General	Total	Specific	General	Total
	(Rup	ees in '000')		Dec	ember 31, 201	6
Opening balance	172,313	57,410	229,723	94,059	56,804	150,863
Charge for the year	42,756	-	42,756	79,105	606	79,711
Reversals	(92,900)	(12,872)	(105,772)	-	-	-
Amounts charged off - agri loans note 9.6	_	-	-	(851)	-	(851)
Closing balance	122,169	44,538	166,707	172,313	57,410	229,723
In local currency	122,169	44,538	166,707	172,313	57,410	229,723
In foreign currency	-	-	-	-	-	-
	122,169	44,538	166,707	172,313	57,410	229,723

- 9.4.1 The net FSV benefit availed has been increased by Rs 37.49 million, which has resulted in decreased charge for specific provision for the year by the same amount. Had the FSV benefit not increased, before and after tax profit for the year would have been lower by Rs 37.49 million (2016: higher by Rs 44.202 million) and Rs 22.5061 million (2016: (higher by Rs 16.251 million) respectively. Further, at December 31, 2017, cumulative tax benefit availed for Forced Saled Value (FSV) was Rs 14.9839 million (2016: Rs 20.201 million) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.
- **9.5** General provision on consumer finance and micro finance loans is maintained in accordance with the requirements of Prudential Regulations issued by State Bank of Pakistan.
- **9.6** This represents agriculture loans charged off as per time based criteria prescribed by the State Bank of Pakistan in Annexure II of regulation R 11 or Prudential Regulations for Agricultural Financing.



117,060

115,638

		2017 Rupees in	2016 '000
9.7	Particulars of write-offs: Against provisions	-	_
		-	-
9.8	Particulars of loans and advances to executives, directors,		
3.0	associated companies etc.		
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at the beginning of the year	15,964	17,366
	Loans granted during the year	284	2,337
	Repayments made during the year	(823)	(3,739)
	Balance at the end of the year =	15,425	15,964
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
	Balance at the beginning of the year	250,500	304,744
	Loans granted during the year	101,000	-
	Repayments made during the year	(45,876)	(54,244)
	Balance at the end of the year =	305,624	250,500
10.	OPERATING FIXED ASSETS		
	Capital work-in-progress - note 10.1	7,086	954
	Property and equipment - note 10.2	109,974	114,684
	Intangible asset - note 10.5	-	-

10.1 Capital work-in-progress

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

10.2 Property and equipment

					2017	17				
		55	COST			DEPRE	DEPRECIATION			, o o o o o o o o o o o o o o o o o o o
	as at January 1, 2017	additions	deletions/ write offs	as at December 31, 2017	as at January 1, 2017	charge for the year	on deletions / write offs	as at December 31, 2017	Book Value as at December 31, 2017	Annual rate of depreciation %
					Rupees in '000					!
Land - freehold	40,000	•		40,000				•	40,000	0
Building on freehold land	14,407			14,407	5,361	1,441		6,802	7,605	10
Leasehold improvements	26,292	1,090		27,382	16,891	3,628		20,519	6,863	20
Office equipment	18,491	1,823		20,314	10,674	3,068		13,742	6,572	20
Computers	29,005	2,182		31,187	17,855	3,947		21,802	9,385	20
Vehicles	24,881	5,249		30,130	16,436	4,076		20,512	9,618	20
Furniture and fittings	54,944	6,978	(133)	61,789	26,119	5,859	(120)	31,858	29,931	10-20
	208,020	17,322	(133)	225,209	93,336	22,019	(120)	115,235	109,974	
					2016					
		S	COST			DEPRE	DEPRECIATION		or order	Annual rate of
	as at January	additions	deletions/ write offs	as at December 31,	as at January	charge for	on deletions /	as at December 31,	at December	depreciation
	2, 7,		200	2016	, ,	200		2016		%
					Rupees in '000					
Land - freehold	40,000			40,000	٠		٠	•	40,000	0
Building on freehold land	14,407		•	14,407	3,920	1,441	•	5,361	9,046	10
Leasehold improvements	22,021	4,271	•	26,292	13,014	3,877		16,891	9,401	20
Office equipment	16,608	1,883	•	18,491	7,976	2,698	•	10,674	7,817	20
Computers	27,457	1,548		29,005	13,994	3,861	•	17,855	11,150	20
Vehicles	28,632	2,319	(6,070)	24,881	17,048	5,250	(5,862)	16,436	8,445	20
Furniture and fittings	20,900	4,044		54,944	20,270	5,849		26,119	28,825	10-20
	200,025	14,065	(6,070)	208,020	76,222	22,976	(5,862)	93,336	114,684	

10.2.1 Property and equipment includes cost of Rs. 5,485 thousand (2016: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2016: Rs. 5,485 thousand) in respect of assets donated by the Government of Azad Jammu and Kashmir.

10.3 The total cost of fixed assets of Rs. 225,209 thousand includes fixed assets of Rs.46,463 thousand having zero book value on which no depreciation was charged during the year.



10.4 Detail of disposals of operating fixed assets

Particulars of assets	Original	Accumulated	Book	Sale	Mode of	Particulars of buyer
	cost	depreciation	value	proceeds	disposal	
		Rupees in '	000		_	
Furniture and fittings	133	120	13	24	Auction	
2017	400	400	40	0.4		
	133	120	13	24		
Vahialaa						
Vehicles						
Toyota Prado	2,688	2,688	-	1,710	Auction	Usman Zahid Awan
Toyota Corolla	1,300	1,300	-	130	As per policy	Maazullah Khan, Employee
Honda Civic	2,082	1,874	208	208	As per policy	Fazal-ur-Rehman, Ex- MD
2016	6,070	5,862	208	2,048		

10.5 INTANGIBLE ASSET

The Bank is in the process of implementation of Core Banking Information System (Helios) which is currently installed on certain branches of the Bank. This software is financed by Kashmir Council (Government of AJK).

	2017 Rupees in	2016 '000
11.DEFERRED TAX ASSETS		
Deferred tax arising due to:		
Tax depreciation	4,947	2,966
Provision against non-performing advances classified in sub-standard category	-	7,876
Provision for customer claims	-	8,865
Other provisions	12,838	3,435
	17,785	23,142
Surplus on revaluation of available for sale securities	5,060	(9,756)
	22,845	13,386
11.1 Movement of deferred tax asset/(liability)		
Opening deferred tax (asset) Deferred credits recognised in profit and loss arising due to:	13,386	1,881
Accelerated tax depreciation	1,981	1,547
Provision against non-performing advances classified in sub-standard category	(7,876)	4,370
Provision for customer claims	(8,865)	8,865
Other provisions	9,403	1,750
	(5,357)	16,532
Deferred debits recognised in equity arising due to:		
Surplus on revaluation of available for sale securities	14,816	(5,027)
Closing deferred tax asset	22,845	13,386

12. OTHER ASSETS

419,527	353,042
19,324	15,615
-	3,656
-	28,510
4,985	2,691
9,910	51,553
453,746	455,067
(4,815)	(4,815)
448,931	450,252
	19,324 - - 4,985 9,910 453,746 (4,815)

12.1 This includes an amount of Rs. 2,295 thousand (2016: Rs. 1,872 thousand) on account of interest receivable from related party.

12.2 This balance has been arrived at after adjusting interest in suspense of Rs. 53,468 thousand (2016: Rs. 46,366 thousand).

12.3	Provision against other assets	2017 Rupees i	2016 n '000	
	Opening balance Charge for the year	4,815 	4,815 -	
	Closing balance	4,815	4,815	
13.	BILLS PAYABLE			
	In Pakistan (Azad Jammu and Kashmir)	31,808	8,716	
14.	DEPOSITS AND OTHER ACCOUNTS Customers	0.044.000	0.000.405	
	Fixed deposit	2,841,960	2,633,125	
	Savings deposit Current accounts - non remunerative	4,303,343 2,382,571	3,521,083 1,690,694	
	Others	19,341	723	
		9,547,215	7,845,625	
14.1	Particulars of deposits			
	In local currency In foreign currency	9,547,215	7,845,625	
	in loreign currency	9,547,215	7,845,625	
		3,047,210	1,040,020	

14.2 It includes deposits from related parties amounting to Rs. 4,650,389 thousand (2016: Rs. 3,665,349 thousand).



		2017	2016
15.	OTHER LIABILITIES	Rupees in	'000
	Mark-up / return / interest payable in local currency - note 15.1	82,199	53,649
	Accrued expenses	3,388	5,599
	Provision for bonus to employees	14,000	12,000
	Branch adjustment account	10,745	-
	Provision against customer claims	22,505	31,866
	Income tax payable	24,172	-
	Others	41,393	29,545
		198,402	132,659

15.1 It includes an amount of Rs. 48,115 thousand (2016: Rs. 25,829 thousand) on account of interest payable to related parties.

16. SHARE CAPITAL

16.1 Authorised Capital

	2017 Number o	2016 of shares		2017 Rupees ir	2016 n '000
	200,000,000	200,000,000	Ordinary shares of Rs. 10 each	2,000,000	2,000,000
16.2	Issued, subscrib	ed and paid up			
	2017	2016			
	Number o	of shares	Ordinary shares of Rs. 10 each:		
	31,794,261	25,500,000	Fully paid in cash	317,942	255,000
	48,082,476	48,082,476	Issued as bonus shares	480,825	480,825
	5,015,200	5,015,200	Issued for consideration other than cash	50,152	50,152
	84,891,937	78,597,676	-	848,919	785,977

^{16.3} The Government of Azad Jammu and Kashmir and Azad Kashmir Saw Mills Corporation own 100% percent of ordinary shares of the Bank as on December 31, 2017 in proportion of 94% and 6% respectively.

		2017	2016	
16.4	Reconciliation of number of ordinary shares	Number of shares		
	Shares at the beginning of the year	78,597,676	78,597,676	
	Shares issued during the year - note 16.5	6,294,261	-	
	Shares at the year end	84,891,937	78,597,676	

- **16.5** During the year the bank has issued right shares 6,294,200 amounting to Rs. 62,942 thosand to its shareholders, however on dealination by AKLAS all the shares have been issued to Bank's major shareholder that is Government of Azad Jammu and Kashmir as fully paid in cash against settlement of its dividend payable.
- **16.6** Subsequent to year end AKLASC sold its remaining 6% shares of Rs. 55 million to M/S Behbood Fund and Group Insurance Government autonomous body.

17. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

THE COUNTY OF TH	TO TIET OF IT	LI L
	2017	2016
	Rupees i	n '000
(Deficit) / surplus on revaluation of available for sale securities		
Units of mutual funds - listed	(14,456)	27,875
Related deferred tax asset / (liability)	5,060	(9,756)
18. CONTINGENCIES AND COMMITMENTS	(9,396)	18,119
18.1 Direct credit substitutes - Guarantees in favour of others	48,643	2,330
18.2 Commitments to extend credit	228,131	283,995
18.3 Bills for collection	27,792	69,963

18.3.1 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.

19. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments, referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank has no off balance sheet financial instrument at the year end.

20. DERIVATIVE INSTRUMENTS

The Bank at present does not offer any derivative product.

	2017	2016
21. MARK-UP / RETURN / INTEREST EARNED	Rupees i	n '000
On loans and advances to customers - note 21.1	366,793	366,793
On investment in held to maturity securities	40,694	40,694
On deposits with financial institutions	435,383	435,383
	842,870	842,870

21.1 This includes an amount of Rs. 22,838 thousand (2016: Rs. 27,755 thousand) on account of interest earned on advance given to a related party.

22. MARK-UP / RETURN / INTEREST EXPENSED

On deposits 327,143 333,382

This includes an amount of Rs. 155,472 thousand (2016: Rs. 212,290 thousand) on account of interest expense on deposits received from related parties.

23. GAIN ON SALE OF SECURITIES - NET

It represents gain on disposal of units of listed mutual funds during the year.



24. OTHER INCOME

24.	OTHER INCOME		
		2017	2016
		Rupees in	000
	Gain on sale of fixed asset	11	1,840
	Site visits and fee collection charges	2,372	3,779
	Ç .	2,383	5,619
		 =	
25.	ADMINISTRATIVE EXPENSES		
	Salaries, allowances, etc.	193,092	167,160
	Gratuity - note 30.1	7,481	5,616
	Contribution to provident fund - note 30.2	4,472	4,206
	Fee to non executive directors	882	659
	Rent, taxes, insurance and electricity, etc.	36,507	31,981
	Legal and professional charges	754	4,442
	Communications	10,697	10,780
	Repairs and maintenance	19,787	18,585
	Stationery and printing	8,086	8,936
	Advertisement and publicity Auditors' remuneration - note 25.1	486	1,459 1,980
	Entertainment	1,980 9,309	5,806
	Depreciation	22,019	22,976
	Travel and conveyance	6,690	6,458
	Training	931	9
	Security charges	20,169	16,479
	Others	19,730	17,437
	Official	363,072	324,969
			<u> </u>
25.1	Auditors' remuneration		
	Annual audit	1,200	1,200
	Half yearly review	600	600
	Out of pocket expenses	180	180
		1,980 ————————————————————————————————————	1,980
26.	TAXATION		
	For the year		
	current	(99,030)	(49,892)
	deferred	(5,357)	16,532
		(104,387)	(33,360)
	For prior year(s)	(= =c=) [/= = .5.1
	current	(5,702)	(5,542)
	deferred	- (F 700)	- (5.540)
		(5,702)	(5,542)
		(110,089)	(38,902)

26.1 Relationship between tax expense and accounting profit

Profit before taxation	267,173	89,608
Tax at applicable tax rate of 35 percent (2016: 35 percent) Effect of:	93,511	31,363
charge for prior year expenses not allowed	5,702 10,876	5,542 1,997
others	-	-
Tax charge for the year	(110,089)	(38,902)

26.2 The Bank is liable to pay super tax @ 4 percent of the taxable income B101 imposed for the Tax year 2016 and extended for the tax year 2017 also.

27. BASIC/ DILUTED EARNINGS PER SHARE

Profit for the year - Rupees '000	157,084	50,706
Weighted average number of ordinary shares - numbers	84,598,780	78,597,676
Basic earnings per share - Rupees	1.86	0.65
There is no dilutive effect on the basic earnings per share of the Bank.		

28. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	1,755,794	1,299,452
Balances with other banks	5,748,385	3,843,415
	7,504,179	5,142,867

29. STAFF STRENGTH

Permanent	224	237
Temporary / on contract basis	163	139
Daily wages		9
Bank's own staff strength at the end of the year	387	385
Outsourced	138	124
Total staff strength at the end of the year	525	509

30. STAFF RETIREMENT BENEFITS

30.1 Gratuity

The Bank contributed Rs. 7,481 thousand (2016: Rs. 5,616 thousand) during the year towards employees gratuity fund.

30.2 Provident fund

The Bank contributed Rs. 4,472 thousand (2016: Rs. 4,206 thousand) during the year towards employees contributory provident fund.

Number of employees



31. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing I	Managing Director		Directors		cutives	
	2017	2016	2017	2016	2017	2016	
			Rupees in	'000			
Fees	-	-	875	648	-	-	
Managerial remuneration	4,777	4,212	-	-	21,525	21,859	
Contribution to defined contribution plan		-	-	-	912	973	
Contribution to defined gratuity fund	355	351	-	-	912	973	
Rent and house maintenance	1,704	1,846	-	-	8,643	4,088	
Utilities	194	211	-	-	2,706	1,168	
Medical	130	247	-	-	2,706	1,168	
Bonus	710	675	-	-	3,588	1,947	
Leave encashment		713	-	-	-	395	
Others (fuel vehicle, mobile charges,							
club membership & travelling)	4,850	1,325	7	11	4,093	3,621	
	12,720	9,580	882	659	45,085	36,192	_
Number of persons	1	1	8		22	21	_

Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. The managing director and some executives are also provided with the Bank's maintained cars.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair values of traded investments are based on quoted market prices, except for tradable securities classified as 'held-to-maturity' which are carried at amortised cost.

Fair value of fixed-term loans and deposits, other assets and other liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3 to these financial statements.

The maturity and repricing profile and effective rates are stated in note 36.4.1. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are either short-term in nature or, in the case of financings and deposits, are periodically repriced.

32.2 On-balance sheet financial instruments

There are no off-balance sheet financial instruments as at December 31, 2017 (2016: Nil).

32.2 On-balance sheet financial instruments

There are no off-balance sheet financial instruments as at December 31, 2017 (2016: Nil).

	(Current Year)		(Prior	rior Year)	
-	Book value	Fair value	Book value	Fair value	
Assets					
Cash balances with treasury banks	1,755,794	1,755,794	1,299,452	1,299,452	
Balances with other banks	5,748,385	5,748,385	3,843,415	3,843,415	
Lending to financial institutions	-				
Investments	354,247	339,791	576,873	604,748	
Advances	2,407,853	2,407,853	2,609,430	2,609,430	
Other assets	448,931	448,931	450,252	450,252	
_	10,715,210	10,700,754	8,779,422	8,807,297	
Liabilities					
Bills payable	31,808	31,808	8,716	8,716	
Borrowings	-	-			
Deposits and other accounts	9,547,215	9,547,215	7,845,625	7,845,625	
Sub-ordinated loans	-	-			
Liabilities against assets subject to financ	-	-			
Other liabilities	198,402	198,402	132,659	132,659	
-	9,777,425	9,777,425	7,987,000	7,987,000	

32.3 The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. The Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (level 3).

32.4 ON-BALANCE SHEET FINANCIAL INSTRUMENTS

	2017					
	Level 1	Level 2 Rupees	Level 3 s in '000	Total		
NVESTMENTS - NET						
Financial Assets - on balance sheet						
Available-for-sale securities						
Jnits of mutual funds	140,544	-	-	140,544		
	2016					
	Level 1	Level 2	Level 3	Total		
	Rupees in '000					



INVESTMENTS - NET Financial Assets - on balance sheet

Available-for-sale securities

Units of mutual funds 157,875 - - 157,875

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between fair value hierarchy levels 1 and 2 during the year.

a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in units of open end mutual funds.

b) Financial instruments in level 2

Currently, no financial instruments are classified in level 2.

c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Valuation techniques and inputs used in determination of fair values within level 2.

32.5 Off-balance sheet financial instruments

There are no off-balance sheet financial instruments as at December 31, 2017 (2016: Nil).

33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Retail Banking	Commercial Banking	Payment and Settlement Rupees in '000 2017	Agency Services	Total	
Total income	239,382	638,564	12,386	4,040	894,372	
Total expenses	83,561	536,971	5,028	1,639	627,199	
Net income	205,222	52,195	7,356	2,400	267,173	
Segment Assets (Gross)	1,528,213	9,309,756	2,028	662	10,840,659	
Segment Non Performing Loans	295,228	-	-	-	295,228	
Segment Provision Required	166,707	49,940	4,815	-	221,462	
Segment Liabilities	16,376	9,761,021	21	7	9,777,425	
Segment Return on net Assets (ROA) (%)	2.42%	6.45%	0.13%	0.04%	_	
Segment Cost of funds (%)	0.94%	6.04%	0.06%	0.02%	-	
_	2016					
Total income	248,639	593,551	13,655	3,691	859,536	
Total expenses	205,374	557,990	5,167	1,397	769,928	
Net income	43,265	35,561	8,488	2,294	89,608	
Segment Assets (Gross)	1,643,155	7,568,533	8,196	915	9,220,799	
Segment Non Performing Loans	397,445	-	-	-	397,445	
Segment Provision Required	229,723	49,940	4,815	-	284,478	
Segment Liabilities	14,020	7,972,942	30	8	7,987,000	
Segment Return on net Assets (ROA) (%)	2.85%	6.83%	0.16%	0.04%	-	
Segment Cost of funds (%)	2.64%	7.18%	0.07%	0.02%	-	

Assumptions used:

33.1 Administrative expenses, other assets and other liabilities have been allocated to segments based on respective segment income.

34. RELATED PARTY TRANSACTIONS

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

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

	2017 Buna	2016
Balances	Kupe	es in '000
The Government of Azad Jammu and Kashmir and its related departments		
-Advances	305,624	250,500
-Deposits	4,650,389	3,665,349
-Mark-up / return / interest accrued on advances	2,295	1,872
-Mark-up / return / interest payable on deposits	48,115	25,829
Transactions		
The Government of Azad Jammu and Kashmir and its related departments		
- Mark-up/ interest earned	22,838	27,755
- Mark-up/ interest expensed	155,472	212,290
- Ordinary shares issued during the year	62,943	-
- Dividend paid during the year	78,598	
Other Related Parties		
Contribution to Staff retirement benefit plans		
- Staff Gratuity Fund	7,481	5,616
- Staff Provident Fund	4,472	4,206

35. CAPITAL ADEQUACY

35.1 SCOPE OF APPLICATIONS

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk.

35.2 CAPITAL MANAGEMENT

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position

Bank's regulatory capital is analysed into two tiers:

Tier I capital, includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, reciprocal cross holdings in CET 1 instruments of Banking, Financial or Insurance entities, investments in mutual funds exceeding prescribed limits and 50% of other deductions e.g. majority and significant minority investments in insurance and other financial entities. Deductions that have come afresh as part of the Basel III rules such as those on account of Deferred Tax Assets are also required to be made.

Tier II capital under Basel III is subject to a maximum of 2.5% of total Risk Weighted Assets as of December 31, 2017. It includes subordinated debt issued prior to January 1, 2013 phasing out at an annual rate of 10%, Basel III compliant Tier II instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years uptill 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 2017 the Bank must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 10.25% respectively.

Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk militant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view.

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2017 2016 Rupees in '000

35.2.2	Common Equity Tier 1 capital: Regulatory adjustments	-	-
	Goodwill (net of related deferred tax liability)	_	_
	All other intangibles (net of any associated deferred tax liability)	-	-
	Shortfall in provisions against classified assets Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of	-	-
	related tax liability)	-	-
	Defined-benefit pension fund net assets Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
	Cash flow hedge reserve	-	-
	Investment in own shares/ CET1 instruments	-	-
	Securitization gain on sale	-	-
	Capital shortfall of regulated subsidiaries	- (0.200)	-
	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(9,396)	-
	Significant investments in the common stocks of banking, financial and insurance entities that are outside		
	the scope of regulatory consolidation (amount above 10% threshold)	-	-
	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax		
	liability)	-	-
	Amount exceeding 15% threshold	-	-
	of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	-	-
	National specific regulatory adjustments applied to CET1 capital	-	
	Investments in TFCs of other banks exceeding the prescribed limit	-	-
	Any other deduction specified by SBP (mention details)	-	-
	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
	Total regulatory adjustments applied to CET1	(9,396)	-
35.2.3	Additional Tier-1 & Tier-1 Capital: regulatory adjustments	-	-
	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
	Investment in own AT1 capital instruments	-	-
	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital	-	-
	(amount above 10% threshold) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	_	-
	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
	Total regulatory adjustment applied to AT1 capital	-	-
35.2.4	Tier 2 Capital: regulatory adjustments		
	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which,		
	during transitional period, remain subject to deduction from tier-2 capital Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	[
	Investment in own Tier 2 capital instrument	-	-
	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital		
	(amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that	-	-
	are outside the scope of regulatory consolidation	-	-
	Total regulatory adjustment applied to T2 capital		-
35.2.5	Additional Information	2017 Rupees ir	2016 n '000
	Risk Weighted Assets subject to pre-Basel III treatment		
	Risk weighted assets in respect of deduction items (which during the transitional period will be risk		
	weighted subject to Pre-Basel III Treatment) of which: deferred tax assets	-	-
	of which: Defined-benefit pension fund net assets	-	-
	of which: Recognized portion of investment in capital of banking, financial and insurance entities		
	where holding is less than 10% of the issued common share capital of the entity	-	-
	of which: Recognized portion of investment in capital of banking, financial and insurance entities		
	where holding is more than 10% of the issued common share capital of the entity	-	-

Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities Significant investments in the common stock of financial entities		-
Deferred tax assets arising from temporary differences (net of related tax liability)		_
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approar application of cap)	ach (prior to	
Cap on inclusion of provisions in Tier 2 under standardized approach	5,034,35	3 4,755,088
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-base		1,700,000
(prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
35.3 Capital Structure Reconciliation	Balance sheet of	Under regulatory
o.o Sapitar of actare recombination	the published	scope of
	financial	consolidation
	statements	
	As at Decem	ber 31, 2017
	Rupees	in '000
Assets		
Cash and balances with treasury banks	1,755,794	1,755,794
Balances with other banks Lending to financial institutions	5,748,385	5,748,385
Investments	339.791	339,791
Advances	2,407,853	2,407,853
Operating fixed assets	117,060	117,060
Deferred tax assets	22,845	22,845
Other assets Total assets	448,931 10,840,659	448,931 10,840,659
Liabilities & Equity	10,040,033	10,040,039
Bills payable	31,808	31,808
Borrowings	-	-
Deposits and other accounts	9,547,215	9,547,215
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease Deferred tax liabilities	[]	-
Deferred Government grant	-	-
Other liabilities	198,402	198,402
Total liabilities	9,777,425	9,777,425
Share capital	848,919	848,919
Unappropriated profit Surplus on revaluation of assets - net	223,711 (9,396)	223,711 (9,396)
·		
Total liabilities & equity	10,840,659	10,840,659
Assets Cash and balances with treasury banks	1,755,794	1,755,794
Balanced with other banks	5,748,385	5,748,385
Lending to financial institutions	_	_
Investments	339,791	339,791
of which: Non-significant investments in the capital instruments of banking, financial and		
insurance entities exceeding 10% threshold	-	-
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold		
5 5 7	-	-
of which: Mutual Funds exceeding regulatory threshold	∥ -	-
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)		
of which: others (montion datails)	-	-
of which: others (mention details)	-	
Advances	2,407,853	2,407,853
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB		
general provisions reflected in Tier 2 capital	44,538	- 44,538
Fixed Assets Deferred Tax Assets	117,060 22,845	117,060 22,845
of which: DTAs that rely on future profitability excluding those arising from temporary	22,313	22,0 10
differences	-	-
of which: DTAs arising from temporary differences exceeding regulatory threshold		
	-	-
Other assets	448,931	448,931
of which: Goodwill	-	-
of which: Intangibles of which: Defined-benefit pension fund net assets		-
Total assets	10,840,659	10,840,659
10.01 00000	10,070,003	10,040,033

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Balance sheet of the published financial statements Under regulatory scope of consolidation

As at December 31, 2017 Rupees in '000

31,808	31,808
-	-
9,547,215	9,547,215
-	-
-	-
	-
-	-
-	-
-	-
- 1	-
-	-
-	-
198,402	198,402
9,777,425	9,777,425
848,919	848,919
848,919	848,919
-	-
-	
-	-
-	-
223,711	223,711
-	· -
-	-
-	-
-	-
-	
-	-
(9,396)	(9,396)
` - '	`´- ´
1,063,234	1,063,234
10,840,659	10,840,659

Balance sheet as in published financial statements

As at December 31, 2017 Rupees in '000

848,919
-
-
-
-
223,711
-

1,072,630

Liabilities & Equity

Bills payable

Borrowings

Deposits and other accounts

Sub-ordinated loans

of which: eligible for inclusion in AT1 of which: eligible for inclusion in Tier 2

Liabilities against assets subject to finance lease

Deferred tax liabilities

of which: DTLs related to goodwill

of which: DTLs related to intangible assets

of which: DTLs related to defined pension fund net assets

of which: other deferred tax liabilities

Deferred Government grant

Other liabilities

Total liabilities

Share capital

of which: amount eligible for CET1 of which: amount eligible for AT1

Reserves

of which: portion eligible for inclusion in CET1(provide breakup)

of which: portion eligible for inclusion in Tier 2

Unappropriated profit

Minority Interest

of which: portion eligible for inclusion in CET1 of which: portion eligible for inclusion in AT1 of which: portion eligible for inclusion in Tier 2

Surplus on revaluation of assets

of which: Revaluation reserves on Fixed Assets of which: Unrealized Gains/Losses on AFS

In case of Deficit on revaluation (deduction from CET1)

Total equity

Total liabilities & equity

Basel III Disclosure

Common Equity Tier 1 capital (CET1): Instruments and reserves

Fully Paid-up Capital

Balance in Share Premium Account

Reserve for issue of Bonus Shares

General/ Statutory Reserves

Gain/(Losses) on derivatives held as Cash Flow Hedge

Unappropriated/unremitted profits/ (losses)

Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)

CET 1 before Regulatory Adjustments

Balance sheet as in published financial statements

statements As at December 31, 2017 Rupees in '000

Common Equity Tier 1 capital: Regulatory adjustments Goodwill (net of related delerred tax liability) All other intangibles (net of any associated deferred tax liability) Shortfall of provisions against classified assets Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Defined-benefit pension fund net assets Reciprocal cross holdings in CET1 capital instruments Cash flow hedge reserve Investment in own shares/ CET1 instruments Securitization gain on sale Capital shortfall of regulated subsidiaries Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 (AT 1) Capital Of which: Classified as equity of which: Classified as liabilities Additional Tier 1 (AT 1) Capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		Rupees III 000
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differences (net of related tax liability) Defined-benefit pension fund net assets Reciprocal cross holdings in CET1 capital instruments Cash flow hedge reserve Investment in own shares/ CET1 instruments Securitization gain on sale Capital shortfall of regulated subsidiaries Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Shortfall of provisions against classified assets	-
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Cash flow hedge reserve Investment in own shares/ CET1 instruments Securitization gain on sale Capital shortfall of regulated subsidiaries Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 4.072,630 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Defined-benefit pension fund net assets	_
Investment in own shares/ CET1 instruments Securitization gain on sale Capital shortfall of regulated subsidiaries Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 1,072,630 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Reciprocal cross holdings in CET1 capital instruments	_
Securitization gain on sale Capital shortfall of regulated subsidiaries Deficit on account of revaluation from bank's holdings of fixed assets/AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Cash flow hedge reserve	_
Capital shortfall of regulated subsidiaries Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 1,072,630 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Investment in own shares/ CET1 instruments	_
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: significant investments in the common stocks of financial entities of which: lovestment in TFCs of other banks exceeding the prescribed limit of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Securitization gain on sale	_
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: significant investments in the common stocks of financial entities of which: lovestment in TFCs of other banks exceeding the prescribed limit of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Capital shortfall of regulated subsidiaries	_
regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Deficit on account of revaluation from bank's holdings of fixed assets/AFS	_
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Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences National specific regulatory adjustments applied to CET1 capital of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 1,072,630 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		_
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of which: Investment in TFCs of other banks exceeding the prescribed limit of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out -	· · ·	_
of which: Any other deduction specified by SBP (mention details) Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out -	, , , , , , , , , , , , , , , , , , , ,	_
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		_
Total regulatory adjustments applied to CET1 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		
Common Equity Tier 1 Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		
Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		
Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	Common Equity Tier 1	1,072,630
Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		
of which: Classified as equity of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		
of which: Classified as liabilities Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	' '	-
in group AT 1) of which: instrument issued by subsidiaries subject to phase out -		-
of which: instrument issued by subsidiaries subject to phase out		
	in group AT 1)	-
AT1 before regulatory adjustments	of which: instrument issued by subsidiaries subject to phase out	-
	AT1 before regulatory adjustments	-



Balance sheet as in published financial statements
As at December 31, 2017
Rupees in '000

	Rupees in '000
Additional Tier 1 Capital: regulatory adjustments	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	
	-
Investment in own AT1 capital instruments	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
Total of Regulatory Adjustment applied to AT1 capital	-
Additional Tier 1 capital	_
Additional Tier 1 capital recognized for capital adequacy	-
Tier 1 Capital (CET1 + admissible AT1)	1,072,630
To Found (CETT + dominosiste ATT)	1,072,030
Tier 2 Capital	
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments) Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-
of which: instruments issued by subsidiaries subject to phase out	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	44,538
Revaluation Reserves	-
of which: Revaluation reserves on fixed assets	-
of which: Unrealized Gains/Losses on AFS	(9,396)
Foreign Exchange Translation Reserves	- 1
Undisclosed/Other Reserves (if any)	-
T2 before regulatory adjustments	35,142
Tier 2 Capital: regulatory adjustments	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-
Reciprocal cross holdings in Tier 2 instruments	_
Investment in own Tier 2 capital instrument	_
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are	-
outside the scope of regulatory consolidation	_
Amount of Regulatory Adjustment applied to T2 capital	_
Tier 2 capital (T2)	35,142
Tier 2 capital recognized for capital adequacy	35,142
Excess Additional Tier 1 capital recognized in Tier 2 capital	-
Total Tier 2 capital admissible for capital adequacy	35.142
TOTAL CAPITAL (T1 + admissible T2)	1,107,772
	, ,

35.4 Capital Adequacy

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using standardised approaches for credit and market risks and basic indicator approach for operational risk is presented below.

	Capital requirements		Risk weighted assets	
Risk-weighted exposures	2017	2016	2017	2016
Credit Risk		Rupees	in '000	
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance sheet				
Claims on banks	171,612	118,694	1,716,122	1,186,941
Past due loans	26,919	36,272	269,187	362,717
Claims categorized as retail portfolio	114,260	138,103	1,142,603	1,381,025
Claims fully secured by residential property	9,924	12,274	99,236	122,742
Operating Fixed Assets	11,706	11,564	117,057	115,638
All other assets	48,445	44,975	484,445	449,752
	382,866	361,882	3,828,650	3,618,815
Off balance sheet items				
Non-market related				
Direct credit substitute				
2 ii oot oroan oasoinato				<u> </u>
	-	-	-	-
Total credit risk	382,866	361,882	3,828,650	3,618,815
Market risk				
Portfolios subject to standardized approach				
Equity position risk	28,109	31,575	281,088	315,750
Operational risk	92,462	82,052	924,615	820,523
Total	503,437	475,509	5,034,353	4,755,088
Conital Adamsons Paties	2017		2016	
Capital Adequacy Ratios	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	21.31%	6.00%	19.58%
Tier-1 capital to total RWA	7.50%	21.31%	7.50%	19.58%
Total capital to total RWA	10.00%	22.00%	10.00%	21.17%
Total capital minimum ratio plus CCB	11.28%	15.82%	10.65%	15.17%
. J.a. Japitai Illiilliani Tatio piuo OOD	11.2070	.0.02 /0	10.0070	10.17 /0



35.5 Main Features Template of Regulatory Capital Instruments

1 Bank of Azad Jammu and Kashmir Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for 2 Bank of Azad Jammu and Kashmir private placement) 3 Governing law(s) of the instrument Laws applicable in State of Azad Jammu and Kashmir Regulatory treatment Transitional Basel III rules Common equity Tier 1 Post-transitional Basel III rules Common equity Tier 1 6 Eligible at solo / group / group & solo Standalone Common Shares Instrument type Amount recognised in regulatory capital (Currency in PKR 8 848,919 thousands, as of reporting date) 9 Par value of instrument **PKR 10** 10 Accounting classification Shareholder equity 11 Original date of issuance 2006 12 Perpetual or dated Perpetual Original maturity date No maturity 13 14 Issuer call subject to prior supervisory approval No Not applicable 15 Optional call date, contingent call dates and redemption amount 16 Subsequent call dates, if applicable Not applicable Coupons / dividends Fixed or floating dividend/coupon Not applicable Not applicable Coupon rate and any related index Existence of a dividend stopper No 20 Fully discretionary, partially discretionary or mandatory Fully discretionary Existence of step up or other incentive to redeem No Noncumulative or cumulative Not applicable Convertible or non-convertible Not applicable Not applicable If convertible, conversion trigger (s) If convertible, fully or partially Not applicable 25 If convertible, conversion rate Not applicable If convertible, mandatory or optional conversion Not applicable If convertible, specify instrument type convertible into Not applicable If convertible, specify issuer of instrument it converts into Not applicable Not applicable Write-down feature If write-down, write-down trigger(s) Not applicable 31 If write-down, full or partial Not applicable If write-down, permanent or temporary Not applicable Not applicable 33 If temporary write-down, description of write-up mechanism Position in subordination hierarchy in liquidation (specify 34 Not applicable instrument type immediately senior to instrument) Non-compliant transitioned features No If yes, specify non-compliant features Not applicable

36. RISK MANAGEMENT

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

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

Taken as a whole, risk arising from the Bank's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

Bank regularly reviews and updates policy manuals and procedures in accordance with domestic regulatory environment and international standards.

36.1 Credit risk

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

36.1.1 SEGMENT INFORMATION

36.1.1.1 Segments by class of business

Agriculture, Forestry, Hunting and Fishing
Construction
Power (electricity), Gas, Water, Sanitary
Wholesale and Retail Trade
Services
Individuals
Government
Others

Agriculture, Forestry, Hunting and Fishing
Construction
Power (electricity), Gas, Water, Sanitary
Wholesale and Retail Trade
Services
Individuals
Government
Others

36.1.1.2 Segments by sector

Public / Government Private	
Public sector/ Government Private	

		2	2017		
Advances	(Gross)	Depo	osits	Contingen Commit	
Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
232,038	9.01	-	-	-	-
17,826	0.69	-	-	-	-
-	-	33,260	0.35	-	-
509,189	19.78	76,320	0.80	-	-
-	-	675,510	7.08	-	-
1,416,972	55.04	4,111,736	43.07	48,643	17.6
305,624	11.87	4,650,389	48.71	-	-
92,911	3.61	-	-	228,131	82
2,574,560	100	9,547,215	100	276,774	100
			2016		-

Advances	(Gross)	Depo	osits	Contingen Commit	
Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
327,643	11.54	-	-	-	-
27,940	0.98	-	-	-	-
-	-	6,725	0.09	-	-
651,195	22.94	54,240	0.69	-	-
-	-	59,514	0.76	-	-
1,499,299	52.81	4,059,797	51.75	2,330	0.81
250,500	8.82	3,665,349	46.72	-	-
82,576	2.91	-	-	283,995	99.19
2,839,153	100	7,845,625	100	286,325	100

		2	2017		
Advances	(Gross)	Dep	osits	Contingen Commit	
Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
305,624	11.87	4,650,389	48.71	-	-
2,268,936	88.13	4,896,826	51.29	276,774	100
2,574,560	100	9,547,215	100	276,774	100
		2	 2016		
Advances	(Gross)	Dep	osits	Contingen Commit	
Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
250,500	8.82	3,665,349	46.72	-	-
2,588,653	91.18	4,180,276	53.28	286,325	100
2,839,153	100	7,845,625	100	286,325	100



36.1.1.3 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY CLASS OF BUSINESS SEGMENT

	PROVISIONS BY CLASS OF BUSINESS SEGMENT		201	17	2016	5
				Rupees i	n '000	
			Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Agriculture, Forestry, Hunting and Fishing		88,065	22,539	121,415	10,088
	Construction		-	-	-	-
	Power (electricity), Gas, Water, Sanitary		-	-	-	-
	Wholesale and Retail Trade		110,546	48,783	144,354	68,940
	Services		-	-	-	-
	Individuals		96,617	50,847	131,676	93,285
	Government		-	-	-	-
	Others					-
			295,228	122,169	397,445	172,313
36.1.1.4	DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY SECTOR					
	Public / Government		-	-	-	-
	Private		295,228	122,169	397,445	172,313
			295,228	122,169	397,445	172,313
36.1.1.5	GEOGRAPHICAL SEGMENT ANALYSIS					
				2017		
		Profit before taxation	Total assets employed	Net assets employed	Contingend Commitm	
				Rupees in '000		
	Pakistan (Azad Jammu and Kashmir)	267,173	10,840,659	1,063,234		276,774
	Others	267,173	10,840,659	1,063,234		276,774
		Profit	Total assets	2016 Net assets		
		before taxation	employed	employed	Contingend Commitm	
				Rupees in '000		
	Pakistan (Azad Jammu and Kashmir)	89,608	8,936,321	949,321		286,325
	Others	-	-	-		-
		89,608	8,936,321	949,321		286,325

36.1.1.5.1 Contingencies and commitments include amounts given in note 20 except bills for collection.

36.2 Credit Risk-general disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with the SBP's requirements.

36.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company- Vital Information Systems). Credit rating data for advances is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA
Corporate	Yes	Yes
Banks	Yes	Yes
SME's	Yes	Yes

Long Term Ratings Grades Mapping

SBP Rating	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA	AAA	AAA	Aaa	AAA	1
1	AA+	AA+	AA+	Aa1	AA+	1
1	AA	AA	AA	Aa2	AA	1
1	AA-	AA-	AA-	Aa3	AA-	1
2	A+	A+	A+	A1	A+	2
2	Α	Α	Α	A2	Α	2
2	A-	A-	A-	A3	A-	2
3	BBB+	BBB+	BBB+	Baa1	BBB+	3
3	BBB	BBB	BBB	Baa2	BBB	3
3	BBB-	BBB-	BBB-	Baa3	BBB-	3
4	BB+	BB+	BB+	Ba1	BB+	4
4	BB	BB	BB	Ba2	BB	4
4	BB-	BB-	BB-	Ba3	BB-	4
5	B+	B+	B+	B1	B+	5,6
5	В	В	В	B2	В	5,6
5	B-	B-	B-	B3	B-	5,6
6	CCC+ and above	CCC+ and above	CCC+ and above	Caa1 and above	CCC+ and above	7

Short Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+,A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

Bank uses credit assessments for constantly monitoring initial credit screening and overall risk profile of the entire credit portfolio.

The credit portfolio of the Bank is restricted to operations in State of Azad Jammu and Kashmir which mainly comprise exposures to Government or Semi-Govt. departments. The exposures other than Government relates to Consumer, Microfinances or non corporate entities.

Bank maintain high quality investments and exposure to other Banks. The Investments in Term Finance Certificates are made in Pakistan investment bonds and mutual funds, as stated in note 8.4 to these financial statements.

The Bank also monitor and maintain its exposure to other banks with quality credit rating which are not lower than "A" category

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Market risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in interest rates, foreign exchange rates and equity prices resulting in a loss to earnings and capital. The Bank's interest rates exposure comprises those originating from investing and lending activities. The Asset and Liability Manage ment Committee of the Bank monitors and manages the interest rates risk with the objective of limiting the potential adverse effect on the profitability of the Bank.

36.3.1 Foreign exchange risk

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

36.3.2 Equity position risk

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

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio limits are assigned 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.

36.3.3 Yield / interest rate risk

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

36.3.4 Mismatch of interest rate sensitive assets and liabilities

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

	Effective				Fxnose	Exposed to vield/ interest risk	nsk					
	Yield /			Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5		Non-interest
	Interest		Upto 1	to 3	to 6	Months to 1	to 2	to 3	to 5	to 10	Above	bearing financial
	rate	Total	Month	Months	Months	Year	Years	Years	Years	Years	10 Years	instruments
On-balance sheet financial instruments						Rupees in '000	000,					
Assets												
Cash and balances with treasury banks	5.62%	1,755,794	89,303	239,304	1,089,304	239,304						98,579
Balances with other banks	7.14%	5,748,385	343,724	2,171,857	1,144,343	1,312,343	75,000		350,000	300,000		51,118
Lending to financial institution		•	•		•				•			
Investments	15.50%	339,791			•	199,247			•			140,544
Advances	14.08%	2,407,853	40,778	457,118	146,661	428,338	489,324	489,324	298,612	25,153	32,545	•
Other assets		448,931	•		•				•			448,931
		10,700,754	473,805	2,868,279	2,380,308	2,179,232	564,324	489,324	648,612	325,153	32,545	739,172
Liabilities												
Bills payable		31,808										31,808
Borrowings		•	•									•
Deposits and other accounts	3.77%	9,547,215	1,225,238	2,298,240	1,324,240	1,976,439	80,400	162,470	97,617			2,382,571
Liabilities against assets subject to		•	•			•			•	•		•
finance lease			•									
Other liabilities		198,402										198,402
		9,777,425	1,225,238	2,298,240	1,324,240	1,976,439	80,400	162,470	97,617			2,612,781
On-balance sheet dap		923 329	(751 /33)	570 030	1 056 068	202 703	183 024	236 964	200 002	225 452	22 EAE	(4 072 500)

	Non-interest			,		•		(1,873,609)
	;	Above	10 Years			•		32,545
	Over 5	to 10	Years		•	•		325,153
	Over 3	to 5	Years					550,995
	Over 2	to 3	Years					326,854
risk	Over 1	to 2	Years					483,924
2017 d to vield/ interest	Over 6	Months to 1	Year					202,793
Expose	Over 3	to 6	Months					1,056,068
	Over 1	to 3	Months					570,039
		Upto 1	Month			228,131	228,131	(979,564)
			Total			228,131	228,131	
Effective	/ Nield /	Interest	rate					

Mismatch of interest rate sensitive assets and liabilities

Cumulative yield / interest risk sensitivity gap

Total yield / interest risk sensitivity gap

Off-balance sheet financial instruments

Purchase and resale agreements Sale and repurchase agreements Commitments to extend credit Off-balance sheet gap

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.

695,198

2,568,807

2,536,262

2,211,109

1,660,114

1,333,260

849,336

646,543

(409,525)

(979,564)

						2016						
	Effective				Expose	Exposed to yield/ interest risk	risk					
	/ Jield /			Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5		Non-interest
	Interest		Upto 1	to 3	to 6	Months to 1	to 2	to 3	to 5	to 10	Above	bearing financial
	rate	Total	Month	Months	Months	Year	Years	Years	Years	Years	10 Years	instruments
On-balance sheet financial instruments						Rupees in '000	000					
Assets												
Cash and balances with treasury banks	5.72%	1,299,452		1,000,000	150,000							149,452
Balances with other banks	8.25%	3,843,415	825,160	1,165,194	578,000	575,000	•		350,000	300,000		50,061
Investments	808.6	604,748		•	•	249,013	197,860					157,875
Advances	13.96%	2,609,430	99,107	224,014	319,525	568,079	563,113	521,389	280,413	24,768	9,022	
Other assets		450,252		•	•							450,252
		8,807,297	924,267	2,389,208	1,047,525	1,392,092	760,973	521,389	630,413	324,768	9,022	807,640
Liabilities												
Bills payable		8,716				•						8,716
Borrowings		•		•	•							
Deposits and other accounts	4.56%	7,845,625	4,096,641	1,224,000	145,000	485,100	65,444	91,370	46,653			1,691,417
Liabilities against assets subject to												
finance lease				•	•							
Other liabilities		132,659		•	•							132,659
		7,987,000	4,096,641	1,224,000	145,000	485,100	65,444	91,370	46,653			1,832,792
On-balance sheet gap		820,297	(3,172,374)	1,165,208	902,525	906,992	695,529	430,019	583,760	324,768	9,022	(1,025,152)
Off-balance sheet financial instruments												
Purchase and resale agreements												
Sale and repurchase agreements												
Commitments to extend credit		283,995	283,995									
Off-balance sheet gap		283,995	283,995									
Total yield / interest risk sensitivity gap			(3,456,369)	1,165,208	902,525	906,992	695,529	430,019	583,760	324,768	9,022	(1,025,152)
Cumulative yield / interest risk sensitivity gap			(3,456,369)	(2,291,161)	(1,388,636)	(481,644)	213,885	643,904	1,227,664	1,552,432	1,561,454	536,302

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities

	2017 2 Rupees in '000	2016	
Reconciliation of total assets	-		Reconciliation of total liabilities
Total financial assets	10,700,754	8,807,297	Total financial liabilities
Add: Non financial assets			Add: Non financial liabilities
Operating fixed assets	117,060	115,638	Deferred tax liabilities
Deferred tax asset	22,845	13,386	Deferred govt. grant
	139,905	129,024	
Balance as per balance sheet	10,840,659	8,936,321	Balance as per balance sheet

	2017	2016
	Rupees in '000	000, ר
Reconciliation of total liabilities		
Total financial liabilities	9,777,425	7,987,000
Add: Non financial liabilities		
Deferred tax liabilities		
Deferred govt. grant		
Balance as per balance sheet	9,777,425	7,987,000



36.4 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Bank's liquidity position is managed by the Asset and Liability Management Committee (ALCO). ALCO monitors the maintenance of balance sheet liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

36.4.1 Maturities of Assets and Liabilities

Assets Cover 1 Over 3 Over 6 Over 7 Over 6 Over 7 1 Asset Cover 6 Asset						20	2017				
and balances with treasury banks oces with other banks oces with oces with other banks oces with		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
belief bearses 338,791 1,820,881 2,39,304 1,089,304 2,39,304 1,312,343 <	Assets					200					
with other banks 5,748,385 394,842 2,171,857 1,144,343 1,312,345	Cash and balances with treasury banks	1.755.794	187.882	239.304	1.089.304	239.304					
to financial institution ins 2,407,833 2,407,833 49,778 9,140,661 22,845 9,547,215 and other accounts against assets subject to lease tax labilities Government grant alse profit revaluation of assets 10,848,919 10,848,919 11,820,831 11,910,833	Balances with other banks	5,748,385	394,842	2,171,857	1,144,343	1,312,343	75,000	,	350,000	300,000	•
nnts 339,791 - - - - 339,791 428,338 428,347 22,847 22,847 22,847 22,847 22,847 23,669 23,417,255 2,347,255 2,347,255 2,347,255 2,347,215 42,141 2,347,215 42,141 2,347,215 42,141 2,347,215 2,347,215 2,347,215 2,347,215 2,348,383 1,919,883 2,572,081 2,347,215 <th< td=""><td>Lending to financial institution</td><td></td><td>_</td><td>. '</td><td>. '</td><td>. '</td><td></td><td>'</td><td>'</td><td>, '</td><td>•</td></th<>	Lending to financial institution		_ 	. '	. '	. '		'	'	, '	•
series 2,407,853 40,778 457,118 146,661 428,338 428,338 tax assets 22,845 - - - - 22,845 23,104 22,845 <	Investments	339,791				339,791				•	•
tax assets 22.845	Advances	2,407,853	40,778	457,118	146,661	428,338	489,324	489,324	298,612	25,153	32,545
tax assets tax assets	Operating fixed assets	117,060	•			29,104	22,019	11,105	13,976	40,856	
sets 448,931 67,532 71,850 36,947 23,669 23,669 able 31,806	Deferred tax assets	22,845	•			22,845					•
able 31,808 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,883 31,909,909,909,909,909,909,909,909,909,90	Other assets	448,931	67,532	71,850	36,947	23,669	7,409	5,142	2,361	234,021	
be and other accounts assets subject to the recounts as the state of the second the second that a sets subject to the second that a sets subject to a signal to the second that a sets subject to the second that a sets subject to the second that a set is against assets subject to the second that a second that a set is against assets subject to the second that a seco		10,840,659	691,034	2,940,129	2,417,255	2,395,394	593,752	505,571	664,949	000'009	32,545
able 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,808 31,809 31,809 31,809 31,809 31,809 31,809 31,809 31,809 31,909,388 31,909,388 31,909,388 31,909,388 31,909,388 31,909,388 31,909,388 31,909,388 31,809,388 31,809,388 31,809,388 31,809,388 31,809,389	Liabilities										
gs and other accounts and other	Bills payable	31,808	31,808	ı							
and other accounts and other acc	Borrowings		•								•
against assets subject to assets subject to against assets against assets against a sequence of against assets against a sequence of	Deposits and other accounts	9,547,215	1,820,881	2,893,883	1,919,883	2,572,081	80,400	162,470	97,617		•
tax liabilities tax liabilities tax liabilities tax liabilities tax liabilities tax liabilities 198,402 9,777,425 1,063,234 1,063,234 1,063,324 1,063,324 1,063,324 1,063,324 1,063,324 1,063,324 1,063,324 1,063,324 1,063,324 1,063,324 1,063,325 1,0	Sub-ordinated loans	•	•			•				'	'
lease tax liabilities Government grant J98,402 Government grant J198,402 J177,425 J1,663,234 J1,940,239 J1,777,425 J1,663,132 J1,663,132 J1,663,132 J26,205 J1,940,239 J2,614,122 J2,913,924 J1,940,239 J2,614,122 J2,913,924 J1,940,239 J2,614,122 J2,913,924 J2,940,239 J2,913,924 J2,940,239 J2,941	Liabilities against assets subject to	•						,	'	'	•
tax liabilities Government grant Government grant Government grant 198,402 1,063,234 1,063,234 1,063,234 1,063,234 1,063,234 1,063,394 1,063,394 1,063,394 1,063,394 1,063,396 1,063,396 1,063,396 1,063,396 1,064,77 20,041 20,356 477,016 (218,828) 223,711 1,063,396	finance lease							,	'	,	'
Government grant - 198,402 104,477 20,041 20,356 42,141	Deferred tax liabilities	•	,		•	•	•	'	,		•
politities 198,402 104,477 20,041 20,356 42,141 L politities 9,777,425 1,957,166 2,913,924 1,940,239 2,614,222 2,614,222 rail 1,063,234 (1,266,132) 26,205 477,016 (218,826) 2,614,222 ated profit 223,711 223,711 223,711 233,711 233,711 233,711	Deferred Government grant	•	•	•	•	•		'		•	'
tal tale profit 223,771 (9.396)	Other liabilities	198,402	104,477	20,041	20,356	42,141		387	'	11,000	
tal (1,266,132) 26,205 477,016 (218,828) and		9,777,425	1,957,166	2,913,924	1,940,239	2,614,222	80,400	162,857	97,617	11,000	
cd profit raluation of assets	Net assets	1,063,234	(1,266,132)	26,205	477,016	(218,828)	513,352	342,714	567,332	589,030	32,545
ed profit raluation of assets											
riated profit n revaluation of assets	Share Capital	848,919									
	Reserves										
	Unappropriated profit	223,711									
	Surplus on revaluation of assets	(9,396)									
1,063,234		1,063,234									

	ı				20	2016				
		Upto 1	Over 1 to 3	Over 3 to 6	Over 6 Months to 1	Over 1 to 2	Over 2 to 3	Over 3 to 5	Over 5 to 10	Above
	Total	Month	Months	Months	Year Rupees in '000	Years	Years	Years	Years	10 Years
Assets					-					
Cash and balances with treasury banks	1,299,452	149,452	1,000,000	150,000			٠			
Balances with other banks	3,843,415	875,221	1,165,194	578,000	575,000		,	350,000	300,000	'
Lending to financial institution					. •		,	. '	. '	•
Investments	604,748	157,878	,		249,013	197,857		,	•	٠
Advances	2,609,430	99,107	224,014	319,525	568,079	563,113	521,389	280,413	24,768	9,022
Operating fixed assets	115,638				22,996	21,859	26,823	3,960		40,000
Other assets	450,252	144,432	63,796	45,926	12,213	5,856	3,065	807	174,157	
	8,936,321	1,426,090	2,453,004	1,093,451	1,440,687	788,685	551,277	635,180	498,925	49,022
Liabilities										
Bills payable	8,716	8,716								
Borrowings	•		,		•		,	•	•	'
Deposits and other accounts	7,845,625	5,788,058	1,224,000	145,000	485,100	65,444	91,370	46,653	•	•
Sub-ordinated loans	•								•	•
Liabilities against assets subject to	•				•		,	•	•	•
finance lease	•				•		,	•		
Deferred tax liabilities	•							•	•	•
Deferred Government grant	•									'
Other liabilities	132,659	91,260	12,289	10,825	18,285					•
	7,987,000	5,888,034	1,236,289	155,825	503,385	65,444	91,370	46,653		
Net assets	949,321	(4,461,944)	1,216,715	937,626	937,302	723,241	459,907	588,527	498,925	49,022
Share Canital	785 977									
Beserves										
Unappropriated profit	145,225									
Surplus on revaluation of assets	18,119									
	949,321									

36.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes 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.



37. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 28, 2018 have announced a bonus issue/cash dividend of 10 percent (2016: bonus Nil and cash dividend at the rate of 10%). The appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2017 do not include the effect of the appropriation which will be accounted for in the financial statements for the year ending December 31, 2018.

38. GENERAL

Chairman

Corresponding figures have been rearranged and reclassified where necessary for more appropriate presentation of transactions and balances. Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

Director

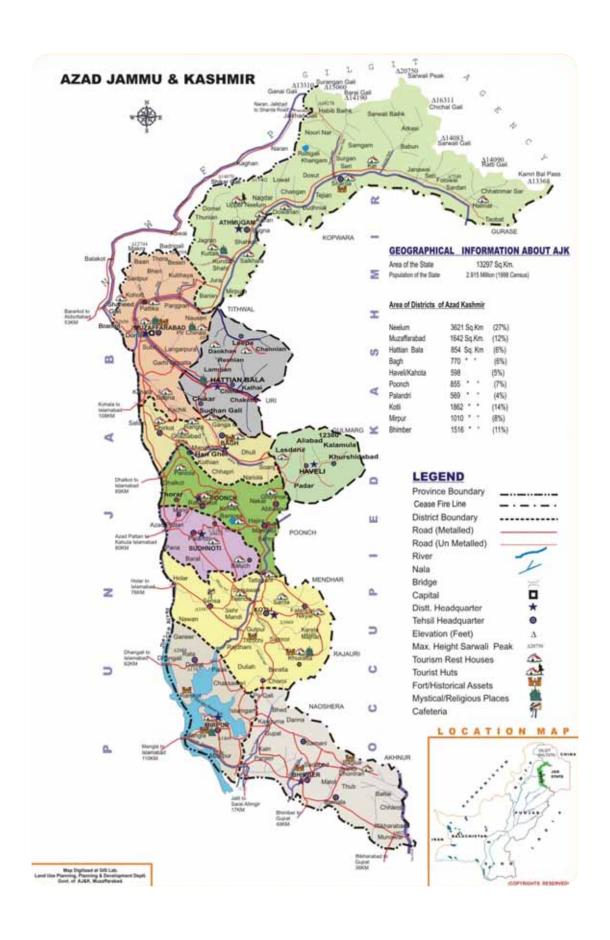
38.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

Managing Director

39. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Bank on March 28, 2018.

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BRANCH LOCATIONS

REGION	ZONE	DISTRICT	S. NO.	BRANCHES	
	Muzaffarabad	Muzaffarabad	1 2 3 4 5 6 7 8 9	Main Branch Mzd Garhi-Dupatta Lower Plate Mzd Chatter Klass Pathika Madina Market Mzd District Complex Mzd Ladies Branch Mzd Upper Ada Gojra Bypass	
rabad)	Muzaf	Neelum	1 2 3 4	Athmuqam Sharda Joora Kutton	,
(Muzaffa		Hattian	1 2 3 4	Chakaar Hattian Chakothi Chathian	
North Region (Muzaffarabad)	Rawalakot	Poonch	1 2 3 4 5 6 7	Rawalakot Hajeera Abbaspur Khaigala Paniola Thorar CMH Road Rawalakot	
	æ	Sudhnoti Bagh	8 1 2 3 4 5 1	Banbekh Palandri Tararkhal Baloch Talian Mang Bagh Arja	
		Havali	3 1	Dheerkot Kahutta	
pur)	Mirpur	Mirpur	1 2 3 4 5 6 7 8 9 10	Main Branch Mirpur Dadyal Chaksawari Islamgarh F-3 Mirpur Pulmanda Jatlan Mian Mohammad Town Jhatti Dhari Cross Ladies Branch Mirpur Saranda Ratta	
		Bhimber	1 2 3 4 5	Bhimber Barnala Chowki Poona Moil	
South Region (Mir	Kotli	Kotli	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	Kotli Shensa Nar Bratla Khoi Ratta Sarsawa Khud Gujran Charoi Tata Pani Darbar Mai Totli Dhanna Juna Seharmandi Gui Jarahi Lorry Adda Kotli	

BRANCH NETWORK

(TOGETHER WE REACH)

MUZAFFARABAD ZONE

Main Branch Muzaffarabad (0001)

Bank Square, Chattar, Muzaffarabad

TEL: 05822-921254 FAX: 05822 921365

E-mail: manager0001@bankajk.com

Athmuqam Branch (0008)

Main Bazar Athmuqam, District Neelum, AJK

TEL: 05821 920033 FAX: 05821 920034

E-mail: manager0008@bankajk.com

Garhi Dupatta Branch (0017)

Main Bazar Garhi Dupatta, Muzaffarabad, AJK

TEL: 05822 922503 FAX: 05822 922502

E-mail: manager0017@bankajk.com

Lower Plate Branch (0018)

Near City Hospital Lower Plate,

Muzaffarabad, AJK TEL: 05822 920466 FAX: 05822 442664

E-mail: manager0018@bankajk.com

Chatter Klass Branch (0019)

Main Bazar Chatter Klass, Muzaffarabad, AJK

TEL: 05822 922302 FAX: 05822 922303

E-mail: manager0019@bankajk.com

Chakar Branch (0022)

Main Bazar Chakar, District Hattian, AJK

TEL: 05822 922003 FAX: 05822 922002

E-mail: manager0022@bankajk.com

Pathika Branch (0024)

Main Bazar Pathika,

District Muzaffarabad, AJK

TEL: 05822 922108 FAX: 05822-922109

E-mail: manager0024@bankajk.co

Madina Market Branch (0028)

Madina Market, Muzaffarabad, AJK

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E-mail: manager0028@bankajk.com

Hattian Branch (0034)

Main Bazar Hattian, District Hattian, AJK

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Chakothi Branch (0037)

Main Bazar Chakhoti, District Hattian, AJK

TEL: 05822-921826

E-mail: manager0037@bankajk.com

District Complex Muzaffarabad Branch (0040)

Old Secretariat, District Complex,

Muzaffarabd TEL: 05822-920187 FAX: 05822-920043

E-mail: manager0040@bankajk.com

Sharda Branch (0043)

Main Bazar Sharda, District Neelum, AJK

TEL: 05821-920802 FAX: 05821-920802

E-mail: manager0043@bankajk.com

Joora Branch (0052)

Joora, District Neelum, AJK

TEL: 05821 920502 FAX: 05821 920502

E-mail: manager0052@bankajk.co

Ladies Branch, Muzaffarabad (0053)

Hashim Plaza, Poultry Farm Road,

Muzaffarabad, AJK TEL: 05822-923008 FAX: 05822-923007

E-mail: manager0053@bankajk.com

Upper Adda Branch (0061)

Near AJK University, Campus/Muzafarabad,

TEL: 05822-920746 FAX: 05822-920747

E-mail: manager0061@bankajk.com

Chathian Branch (0062)

Srinagar Road, Chathian Bazar

TEL: 05822-922514 FAX: 05822-922514

E-mail: manager0062@bankajk.com

Kuttan Branch (0063)

Kuttan, Tehsil Athmuqam, District Neelam

TEL: 05821-920302 FAX: 05821-920301

E-mail: manager0063@bankajk.com

Gojra Bypass Branch (0067)

Gojra Bypass Road, Muzaffarabad

TEL: 05822-923020 FAX: 05822-923019

E-mail: manager0067@bankajk.com

RAWALAKOT ZONE

Main Branch Rawalakot (0006)

Gulf Shopping Complex, Katchary Road,

Rawalakot

FAX: 05824 920068 TEL: 05824 920069

E-mail: manager0006@bankajk.com



Bagh Branch (0010)

Main Bazar Bagh, AJK TEL: 05823 920103 FAX: 05823 920104

E-mail: manager0010@bankajk.com

Arja Branch (0011)

Bagh/Rawalakot Chowk Arja, District Bagh, AJK

TEL: 05823 921005 FAX: 05823 921006

E-mail: manager0011@bankajk.com

Pallandri Branch (0013)

Main Bazar Pallandri, AJK TEL: 05825 920010 FAX: 05825 920009

E-mail: manager0013@bankajk.com

Hajeera Branch (0016)

Main Bazar Hajeera, District Rawalakot,

Azad Kashmir TEL: 05824 920233 FAX: 05824 920234

E-mail: manager0016@bankajk.com

Dheerkot Branch (0023)

Main Bazar Dheerkot, District Bagh, AJK

TEL: 05823 921213 FAX: 05823 921214

E-mail: manager0023@bankajk.com

Bandi Abbaspur Branch (0025)

Pul Bazar BandiAbbaspur, District Poonch, AJK TEL: 05824 921027 FAX: 05824 921028

E-mail: manager0025@bankajk.com

Khai-gala Branch (0030)

Main Bazar Khai-gala, District Poonch, AJK

TEL: 05824-920911 FAX: 05824 920912

E-mail: manager0030@bankajk.com

Trar-khal Branch (0032)

Main Bazar Trar-khal, District Pallandri, AJK

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E-mail: manager0032@bankajk.com

Kahutta Branch (0038)

Main Bazar Kahutta, District Haveli, AJK

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E-mail: manager0038@bankajk.com

Paniola Branch (0039)

Main Bazar Paniola, District Rawalakot, AJK

TEL: 05824-921608 FAX: 05824-921608

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Bloch Branch (0041)

Main Bazar Bloch, District Pallandri, AJK

TEL: 05825-920316 FAX: 05825-920316

E-mail: manager0041@bankajk.com

Talian Branch (0049)

Main Bazar Talian, District Sadhnutti, AJK

TEL: 05826-471319 FAX: 05826-471319

E-mail: manager0049@bankajk.com

Thorar Branch (0050)

Main Bazar Thorar, District Rawalakot, AJK

TEL: 05824 921313 FAX: 05824 921313

E-mail: manager0050@bankajk.com

CMH Road Branch (0056)

CMH Road, Rawalakot, AJK

TEL: 05824 920545 FAX: 05824 920544

E-mail: manager0056@bankajk.com

Banbehk Branch (0060) Tehsil & District Poonch, AJK

TEL: 05824 921106 FAX: 05824 921106

E-mail: manager0060@bankajk.com

Mang Branch (0068)

Near AC Office, Mang Bazar.

TEL: 05825- 920715 FAX: 05825- 920716

E-mail: manager0068@bankajk.com

MIRPUR ZONE

Main Branch Mirpur (002)

Chowk Shaheedan Mirpur, District Mirpur

TEL;: 05827-921448 FAX: 05827-921446

E-mail: manager0002@bankajk.com

Dadyal Branch (0003)

Maqbool Butt Shaheed Chowk, Dadyal

TEL: 05827 923070 FAX: 05827 923069

E-mail: manager0003@bankajk.com

Chaksawari Branch (0004)

Opposite Al-Shahzad Hotel Chaksawari

TEL: 05827 922664 FAX: 05827 922665

E-mail: manager0004@bankajk.com

Islamgarh Branch (0009)

Main Bazar Islamgarh, District Mirpur, AJK

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Bhimber Branch (0012)

Main Bazar Bhimber, AJK TEL: 05828 920505

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Mirpur F-3 Branch (0015)

Sector F-3 Mirpur, AJK TEL: 05827 920439 FAX: 05827 920440

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Pullmanda Branch (0027)

Main Bazar Pulmenda, District Mirpur, AJK

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Barnala Branch (0029)

Main Bazar Barnala, District Bhimber, AJK

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Chowki Branch (0033)

Main Bazar Chowki, District Bhimber, AJK

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E-mail: manager0033@bankajk.com

Poona Branch (0035)

Main Bazar Poona, District Bhimber, AJK

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Jatlan Branch (0045)

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Mian Muhammad Town Branch (0046)

Main Muhammad Town, District Mirpur, AJK

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Jhatti Dheri Branch (0047)

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Ladies Branch Mirpur (0054)

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Main Bazar Chaksawari Branch (0057)

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Ratta Branch Mirpur (0058)

Allah Abad Market, Main Road Ratta,

Tehsil Dadyal, District Mirpur

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KOTLI ZONE

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Sehnsa Branch (0007)

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Nar Branch (0014)

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Bratla Branch (0020)

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E-mail: manager0020@bankajk.com

Khui Ratta Branch (0021)

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E-mail: manager0021@bankajk.com

Sarsawa Branch (0026)

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Khad-Gujran Branch (0031)

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Charhoi Branch (0036)

Main Bazar Charhoi, District Kotli, AJK

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Tatta-Pani Branch (0042)

Main Bazar Tatta-Pani, District Kotli, AJK

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E-mail: manager0042@bankajk.com

Mi-Toti Branch (0044)

Main Bazar Mi-toti, District Kotli, AJK

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E-mail: manager0044@bankajk.com

Dhanna Branch (0048)

Dhanna Bazar, District Kotli, AJK

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E-mail: manager0048@bankajk.com



Juna Branch (0051)

Main Bazar Juna, District Kotli, AJK TEL: 05826 474441

E-mail: manager0051@bankajk.com

Seharmandi Branch (0055)

Main Bazar Seharmandi, Tehsil Sehensa, District Kotli, AJK

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E-mail: manager0055@bankajk.com

Jarahi Branch (0064)

Tehsil DolyaJattan, District Kotli, AJK

TEL: 05826-923350 FAX: 05826-923351

E-mail: manager0064@bankajk.com

Goi Branch (0065)

District Kotli, AJK TEL: 0526-480649

E-mail: manager0065@bankajk.com

Lorry Adda Kotli Branch (0066)

Tehsil & District Kotli, AJK TEL: 05826-920247 FAX: 05826-920248

E-mail: manager0066@bankajk.com



Relocated Main Branch Muzaffarabad

NEW OUTLOOK OF BAJK BRANCHES



Gojra Bypass Branch Muzaffarabad



Relocated Main Branch Bagh





Group Photo with Minister Finance AJK infront of Mang Branch



Garhi Dupatta Branch



Lorry Adda Branch Kotli

AZAD KASHMIR AT A GLANCE

Established

Capital

Government Type

Body

President

Prime Minister

Assembly Seats

Cultivated Land

Population

Density

Population Growth rate

Literacy

Enrollment rate Primary Boys

Enrollment rate Primary Girls

Road density

Infant Mortality Rate (per 1000)

Infant Mortality Rate (MMR)

Immunization Coverage

Per capita power availability (KWH)

Rural/Urban ratio

Per capita income (per annum) US\$

October 24, 1947

Muzaffarabad

Self Governing

Azad Jammu and Kashmir Legislative Assembly

Sardar Masood Khan

Raja Muhammad Farooq Haider Khan

49

13,297 Sq. Km (5,134 sq mi)

13%

4,045,366 (2017 Census)

300/km2 (790/sq mi)

2.41%

76.60%

98%

90%

0.64 (km/sd. km)

58

201

94%

353

88:12

1512

Most Precious Medicinal Herbs in AJ&K

Kuth (Sausuria)

Viola

Diasocoria

Ateespatees

Black Mushroom (Guchi)

Communication

Total length of Metalled Road: 9,372 km,

Fair-Weather Road: 7,423 km.

Total Roads in AJ&K: 16,795 Kilometers.

Airports

Muzaffarabad

Rawalakot

Health

Hospital Beds 2,620

Population per Hospital Bed 1,739

Population per Doctor 5,540

Doctors 585

Doctor per Patient for Outdoor & Indoor 8,284



Tourism has following potential areas:-

Scenic Beauty, Historical and Archaeological Assets, Cultural Heritage, Religious Tourism, Mountain Based Adventure Tourism, Mountaineering, Trekking, Summer Camping & Hikes, Water Based Adventure Tourism and Para-gliding.

Power Capacity of AJ&K

Commissioned 1,141.82 MW

Languages

Urdu, Gojri, Kashmiri and Pahari

Famous Rivers

The Jhelum (Length 750 Km)
The Neelum (Length 270 Km)
The Poonch (Length 130 Km)

Famous Lakes

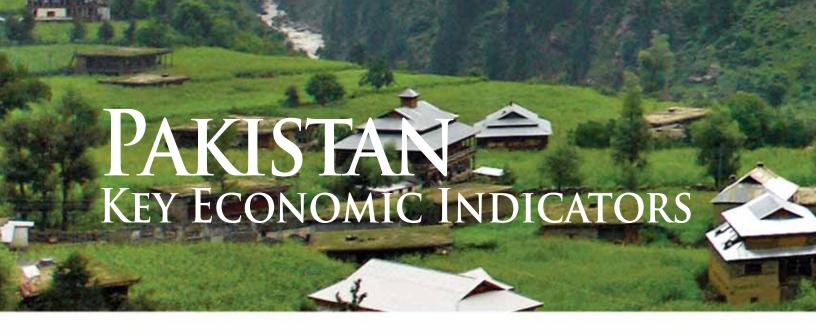
Chitta Katha Lake, Shounter Valley, Neelum.

Mangla Lake Mirpur

With prolonged and severe winter months from December to May. In winter, snow falls with average of 3-4 meters up to 3,000 meters elevation whereas 4-6 meters in higher elevations. The southern zone has a similar climate as the neighboring areas of the Punjab. The summer season starts in April and lasts till October and June is the hottest month. The maximum temperature is often over 45°C from May to September. Rainfall is concentrated in the monsoon season between late June to the end of August. There is often a prolonged dry period from October to early January followed by winter rains from January to March.

Soil

Based on the location, the soil in AJ&K can be broadly grouped into three categories: i. Soil of mountain plateau is generally leached and relatively infertile. ii. Soil of mountain slopes is gravelly loam, shallow and deficient in organic matter. iii. Soil of inter-mountain-ous valleys is alluvial with a high agricultural potential.



Item Number of All Banks		June-17 34	Population (M)	Male 101	Female 94]
Public Sector Commercial Banks		05	Literacy(in %)	70	94 48	
Domestic Private Banks		21	(10 years & above.)	70	40	
Foreign Banks		04	(10 years & above.)			
Specialized Banks		04				
Number of (Reporting) Branches		13,039	National Accounts			200
Total Liabilities/Assets		Rs. 24,618.6	GNP			20
Cash		Rs. 1,215.1	Size			Rs 6.
Total Deposits (excluding Inter-Bank	k)	Rs. 11,592.1	Growth Rate (fc)			
Demand		Rs. 4,209.4	Per Capita Income Sectoral Growth Rate			1,6 Se
Savings		Rs. 4,940.5	Agricultural Sector			6.
Time		2,442.2	Industrial Sector			9.
Total Advances (Excluding Inter-Ban	k)	Rs. 5,965.9	Large-scale Manufacti	ırina		9.
Percentages	/		Construction	aring		7. 13
Deposit to Total Liabilities		47.09%	Service Sector			8.4
Cash to Deposit		10.48%	Transport, Storage and	l Communi	cation	-0.
Advances to Total Assets		24.23%	Wholesale & Retail Tra		cation	9.
Time Deposit to Total Deposits		21.07%	Finance & Insurance	uc		12
Advances to Deposits		51.47%	Sectoral Share in GDP			
Investments to Deposits		70.98%	Agriculture			18
Bank Loan to Deposits		53.27%	Industry			20
(Loan + Investment) to Deposits		124.25%	Mining & Quarrying			2.
Weighted Average			Manufacturing			13
Deposits Rates (Excluding Zero Rate	<u>;</u>)		Construction			2.8
Overall		3.84%	Service Sector			60
Investment Bearing		0.87%	Transport, Storage and	d Communi	cation	13
Profit & Loss Sharing		4.07%	Wholesale & Retail Tra	de		19
Advances Rates		7.49%	Finance & Insurance			3.:
Province	Dec-17	Rs M	Investment and Saving		GDP	20
			Gross Total Investmen	II		- 15

Province	Dec-17	Rs M
	Deposits	Advances
Overall	11,946,893.0	6,306,461
Punjab	5,202,073	2,789,939
Sindh	3, 920, 784	2,844,236
Khyber Pakhtunkhwa	896, 615	56,762.
Balochistan	270,517	28,791
Capital	1,301,228	570,020
FATA	21,765	506
Gilgit – Baltistan	44,904	4,372
AJK	289,004	11.832

National Accounts	
GNP	2017-18
Size	Rs. 36,214 Billion
Growth Rate (fc)	6.7%
Per Capita Income	1,640 \$
Sectoral Growth Rate	Sectoral Growth Rate
Agricultural Sector	6.2 %
Industrial Sector	9.2%
Large-scale Manufacturing	9.1%
Construction	13.6%
Service Sector	8.4%
Transport, Storage and Communication	-0.7%
Wholesale & Retail Trade	9.2%
Finance & Insurance	12.0%
Sectoral Share in GDP	
Agriculture	18.86%
Industry	20.91%
Mining & Quarrying	2.76%
Manufacturing	13.56%
Construction	2.82%
Service Sector	60.23%
Transport, Storage and Communication	13.04%
Wholesale & Retail Trade	19.98%
Finance & Insurance	3.39%
Investment and Savings as % of GDP	2015-16
Gross Total Investment	15.55%
Gross Fixed Investment	13.95%
Public Sector	3.79%
Private Sector	10.16%
National Saving	14.3%
Domestic Savings	8.2%

Total 195 58



Agriculture			Education (institutions/Enro	olment by kind	& level)	
Total cropped area	Million Hector	22.67	Primary & Middle Stage			214
Number of Tube Wells	000 No.	1086.20	Institutions		Nos.	26893
Water availability MAF		133.00	Enrollment		000 Nos.	
Agricultural Production			Health			196
Major Crops		2015-16	Registered Doctors		000	99
Wheat	Million Tons	25.5	Registered Nurses		000	1201
Rice	Million Tons	6.8	Hospitals			5518
Sugar Cane	Million Tons	65.5	BHUs Sub Health Centers			1584
Cotton	Million Tons	10.1	Population per Bed			997
Credit Disbursement		Rs. 385.5 Billion	Population per Doctors			
Commercial Banks		51.56%	Transport & Telecommuni	ications		997
Zarai Taraqiati Bank		14.34%	Roads		000 Km	264
Cooperatives		1.58%	Motor vehicle on Roads			15569
Micro Finance		8.94%	Railways – Rout			7791
Balance of Payments			Production of Motorcycle	/Rickshaws	000 No.s	2071
Trade Balance	\$ Bn.	-18.4	Mobile Phones		000 Nos.	133241
Services	\$ Bn.	-2.8	Import of Cars		000 Nos.	1385
Income	\$ Bn.	-5.5	Internet/Broadband Conne	ection	000 No.	32295
Current Transfers (Net)	\$ Bn.	18.5				7 - 185K
Workers Remittances	\$ Bn.	19.9	Consumption			230,000
Current Account Balance	\$ Bn.	3.3	Description	Consumption		Shirida
Inflow of Foreign Investment	\$ Bn.	1901.1	Meat	14.7 kg per		
Reserves & Exchange Rate			Milk	159 liter pe		
Gold & Forex Reserve	\$ Million	5.347	Natural Gas	43.408 milli		

Electricity per capita

426.7 bbl/day

471.04 kWh (2014)

Pakistan World Ranking

Exchange Rate (end period)\$

Liquid Reserves

9	
Description	Ranking
Kinow	1st
Milk	4th
Cotton	4th
Mango	4th
Sugar cane	5th
Chilies/Pepper	6th
Tobacco	6th
Population	6th
Dates	6th
Rice	13th

\$ Million

23.539

119.3





INVESTMENT OPPORTUNITIES IN AJK

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, Kashmiri Handicrafts and Tourism industry.

1) INDUSTRIAL SECTOR

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 sectors:

Medium and large Industries Kashmiri Handicrafts

Hydropower Generation

Tourism

Presently, the following Hydropower Generation projects are available for investment in AJK

S.no	Projects	Capacity (MW)	Investment Cost (in M.US\$)
1.	Luat Hydropower Project in District Neelum	49	80.350
2.	Chamfall Hydropower Project in District Hattian	6.4	9.312
3.	Jagran-IV Hydropower Project in District Neelum	22	48.580
4.	Hariyola-Zaminabad Hydropower Project in Muzaffarabad	14	27.030
5.	Kotli Hydropower Project in District Kotli	100	219.992
	Total	239.40	465.757

2) MINERAL SECTOR

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.

a) Exploitation Of Ruby Deposits Of Azad Kashmir Location

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 metalled road open for about 8/9 months, whereas onwards by a fair weather road open 5 to 6 months.







b) Establishment of Graphite Processing Plant

The graphite deposits are found in Bagnaunwali Seri, TarliDomel and Mohriwali areas of Upper Neelum Valley. The area falls in Survey of Pakistan Topo sheet No.43-J/5 & I / 8.Bagnaunwali Seri, TarliDomel and Mohriwali areas are about 6 km, 13 km and 35 km from Kel



respectively. The Kel is about 160 kilometers north east of Muzaffarabad. Kel is linked with Muzaffarabad by partially metalled road open for about 8/9 months, whereas onwards by a fair weather road open 5 to 7 months.

A comprehensive feasibility study covering mining, processing & marketing was prepared in 1989. In the said feasibility study total investment required was Rs. 67.00 million which needs to be updated.

101



c) Establishment Of Cement Manufacturing Plant Around Muzaffarabad

Location

The limestone / Shales and Gypsum (Cementious material) bearing areas are located within 10 km2 radius around Muzaffarabad town. The area falls in Survey of Pakistan Toposheet No.43-F/7. The limestone and shale deposits of Batmang area are located on all

Cement Manufacturing Plant

estimates prepared in 2006.

weather metalled (Neelum valley) road at a distance of about 4 km North of Muzaffarabad. Preliminary feasibility study covering reserve potential and suitability of material for cement manufacture is available. Different studies including costs, marketing, size and location of plant etc. are to be done. Tentative investment required for establishing a cement plant with 2000 ton / day capacity is Rs. 3.00 billion.

d) Establishment of Bentonite Processing Plant

The Bentonite deposit of Sadiqabad-Kathar is located near Dudial, District Mirpur and fall in Survey of

Pakistan Topographic Sheet No.43-G/11. The Mirpur town is the District headquarter and lies about 120 kms from Rawalpindi and connected through the grand truck road via Dina and Mangla. The Dudial town can be approached at a distance of 65 kms from Mirpur along Mirpur-Chakswari road and 85 kms from Rawalpindi via Kalar Sayyadan-Dan Gali road.

A Comprehensive Feasibility Study for Commercial exploitation of Dudial bentonite and establishment of Fullers earth plant is available. To mine and process 25 tonnes of bentonite per day Rs 93.00 million will be required as per

e) Quarry Development & Establishment Of Granite / Marble Cutting, Polishing Plants in Neelum and Muzaffarabad Districts Location



The Marble & Granitic terrain lies towards NE of Muzaffarabad town. The area falls in survey of Pakistan toposheet Nos 43 / F 10,14,15& 43 / J1 &9. The area can be approached through Neelum valley road. Upper reaches of major streams passing through the granitic terrain are accessible by fair weather truckable roads.

Khawaja Seri

Khawaja Seri is located at about 150 kilometers North east of Muzaffarabad on Kel- Neelum valley road. The dolerite (black coloured)



deposit is about 1 to 1.5 kilometers off the main road. In this area total of three dolerite bodies of different sizes have been located. They are intermittently exposed at different topographic levels indicating them as a part of the same mass underneath. The tentative calculated reserves are about 100 million tons on the basis of exposed length, thickness and workable depth.

Keran Granite Area

Keran is located at about 90 kilometers from Muzaffarabad. The granite deposits lie on main Neelum valley road. The granite is grey coloured having extensive reserves. The rock is less jointed and the size of the block extracted for cutting and polishing purposes is exceptionally of good size and grade. The tentative calculated reserves are about 289 million tons on the basis of exposed length, thickness and workable depth.



Kensi Area



Kensi is located at 95 kilometers north east of Muzaffarabad. The first 70 kilometers are on main Neelum valley road and the rest 25 kilometers on KundalShahi – Jagran road. The quartzite is silver grey colored and reserves are more than 150 million tons.

ChaijwaNala

The Chaijwa village is located at about 65 kilometers north east of Muzaffarabad. The first 60 kilometers (up to Jura) are on main

Neelum valley road and the rest 5 kilometers on fair weather 4X 4 truckable road. The dolerite deposit is black in colour with tentative reserves of one million ton.

Chugian Nala

Chugian is located about at about 50 kilometers north east of Muzaffarabad. The first 30 kilometers are on main Neelum valley road and the rest 20 kilometers on fair weather 4 X 4 truck able road. This is very promising area having several dolerite (jet black) and light whitish grey granite deposits.

3) HANDICRAFTS SECTOR

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 patronship 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

Raw-material – available

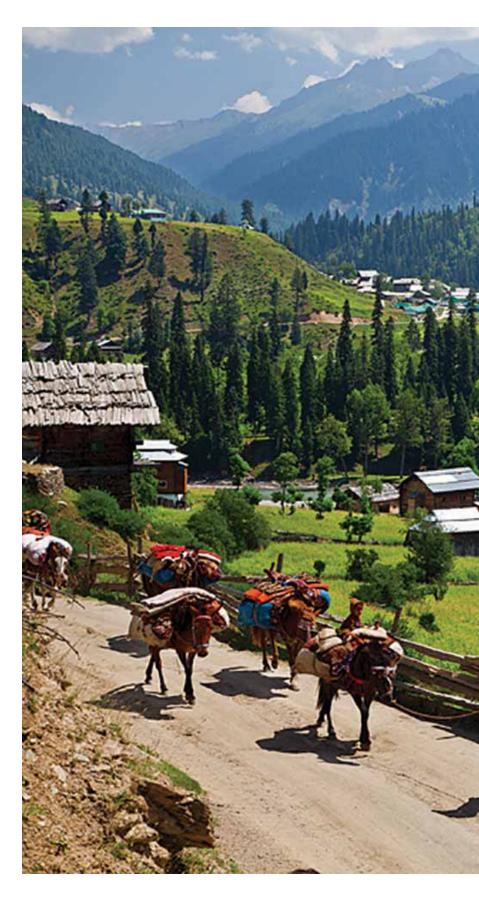
Trained skilled force – available

Huge demand of Kashmiri Handicrafts in domestic & international market

A relatively low marketing cost is involved in this business because Kashmiri crafts are known world-wide for centuries.

Plots could be allotted to investors in the Industrial Estates.

Technical advisory is available for project preparation & feasibility studies.







Galle Events







Managing Director Mr. Imran Samad with the President AJK Sardar Masood Khan on latters Visit to BAJK Head Office



Managing Director Mr.Imran Samad Calls on the Prime Minister AJK Raja Muhammad Farooq Haider Khan



Managing Director Mr.Imran Samad Calls on the Speaker AJK Assembly Shah Ghulam Qadir



BOARD MEETINGS







Chief Secretary/ Chairman BAJK Dr. Ijaz Munir Presides the Board Meetings



Group Photo of BAJK Board with Chief Secretary/ Chairman BAJK Dr. Ijaz Munir



Senior Member Board of Revenue Mr. Fayyaz Ali Abbasi Chairing the Board Audit Committee Meeting



Finance Secretary AJK Mr. Farid Tarar Chairing the Board Executive Committee Meeting



Secretary Industries and Commerce AJK Raja Tariq Masood Khan Chairing Board IT Committee Meeting



MANAGEMENT CONFERENCE/MEETING







 ${\it Managing\ Director\ BAJK\ Mr.\ Imran\ Samad\ Presides\ over\ the\ Management\ Conference/Meetings}$

MANAGERS' CONFERENCE





Managing Director Mr. Imran Samad Addressing the Annual Managers' Conference

Managing Director Mr. Imran Samad Presenting Certificate to Regional Controller South Mr. Hafeezullah



Participants of Managers' Conference with Managing Director BAJK



Award Winners of Year 2017 with Managing Director BAJK



TRAININGS AND WORKSHOPS



Group Photo of Participants of Traning Programme on Credit Management at Muzaffarabad



Group Photo of Participants of Traning Programme on Credit Management at Rawalakot



Finance Secretary AJK Mr. Farid Tarar Launches BAJK SMS Service



Secretary Industries and Commerce AJK Raja Tariq Masood Khan Launches BAJK Web Portal



NEW BRANCHES OPENING



President AJK Sardar Masood Khan Inaugurates Relocated Bagh Branch



Prime Minister AJK Raja Farooq Haider Khan Inaugurates The Lorry Adda Branch Kotli



Minister Finance AJK Dr. Muhammad Najeeb Naqi Khan Inaugurates the Mang Branch



Chief Secretary AJK Dr. Ijaz Munir Inaugurates Gojra Bypass Branch Muzaffarabad



Mr. Hafeezullah Regional Controller South Region with his team celebrates Business Week



Mangaging Director BAJK Mr. Imran Samad alongwith female officers celebrating Womens' Day



BAJK INTER-ZONE T-20 CRICKET TOURNAMENT











CODE OF CONDUCT





1.1 Introduction

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

THIS CODE:

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

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

1.2 General Guidelines

Every employee shall:-

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

1.3 Integrity

Every employee shall:-

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

1.4 Conflict of Interest

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

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

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

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

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

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

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

1.5 Professionalism

Every employee shall:-

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

1.6 Know Your Customer

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

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

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

- a. Activities not consistent with customer's business
- b. Unusual characteristics or activities
- c. Attempts to avoid reporting or record keeping requirement
- d. 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 at all times be courteous and not let any personal differences affect his work. He shall treat every customer of BAJK with respect and courtesy.
- Make sure of good attendance and punctuality and demonstrate a consistently good record in this area. For any absence during work hours during his placement to BAJK clients, he shall obtain written permission of his immediate supervisor.

- · Maintain standard of personal hygiene and dress appropriately for attendance at work. Appearance must inspire confidence and convey a sense of professionalism.
- In person responsible for safe guarding both tangible and intangible assets of BAJK that are under his personal control. He shall not use Bank's asset for his personal benefits except where permissible and customary.
- Help in maintaining a healthy and productive work environment. Shall not engage in selling, distributing, using any illegal substance or being under influence of illegal drugs while on job.
- · Ensure strict adherence to all health and safety policies as may be implemented from time to time by the Bank.
- Intimate BAJK of any changes in the personal circumstances relating to his employment or benefits.
- Not accept or seek any outside employment or office whether stipendiary or honorary.
- Not undertake part time work for a private or public body or private person, or accept fee thereof, during the service of the Bank

1.15 Women at Work Place

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

1.16 Maintaining Confidentiality Confidential information comprises of:-

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

1.20 Certification

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

