



FUTURE IS TODAY

ANNUAL
REPORT 2020





REACHING NEW HEIGHTS



ONE BANK
ONE TEAM







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VISION

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

MISSION

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





CORPORATE INFORMATION

BOARD OF DIRECTORS

▪ Dr. Shahzad Khan Bangash, Chief Secretary, AJ&K	Chairman
▪ Khawar Saeed, CEO, BAJK	President
▪ Fayyaz Ali Abbasi, SMBR, AJ&K	Member
▪ Asmatullah Shah, Secretary Finance, AJ&K	Member
▪ Syed Zahoor-ul-Hassan Gillani, Secretary Forests, AJ&K	Member
▪ Muhammad Ahsen, Secretary Industries, Commerce, Mineral Resources & Labour, AJ&K	Member
▪ Ejaz Hussain Rathore, Chartered Accountant	Member
▪ Raja Mumtaz Ali, Senior Banker	Member
▪ Naveed Sadiq, Businessman	Member

EXECUTIVE COMMITTEE

▪ Asmatullah Shah	Chairman
▪ Khawar Saeed	Member
▪ Muhammad Ahsen	Member
▪ Raja Mumtaz Ali	Member

AUDIT COMMITTEE

▪ Fayyaz Ali Abbasi	Chairman
▪ Asmatullah Shah	Member
▪ Ejaz Hussain Rathore	Member
▪ Raja Mumtaz Ali	Member

IT COMMITTEE

▪ Muhammad Ahsen	Chairman
▪ Khawar Saeed	Member
▪ Asmatullah Shah	Member
▪ Syed Zahoor-ul-Hassan Gillani	Member
▪ Ejaz Hussain Rathore	Member

COMPANY SECRETARY

Maazullah Khan

CHIEF FINANCIAL OFFICER

Shahid Shahzad Mir

AUDITORS

Yousuf Adil
Chartered Accountants

REGISTERED OFFICE

Bank Square, Chattar Domel, Muzaffarabad AJK



BAJK Advance Salary

Meet your urgent domestic needs

20 لاکھ روپے تک ایڈوانس سیلری حاصل کریں

سرکاری محکموں اور خود مختار اداروں کے ملازمین کے لئے

خوشخبری

اہم خصوصیات:

مارکیٹ میں سب سے کم ریٹ

سب سے کم ماہانہ قسط

تیز ترین پراسسنگ

کوئی پوشیدہ چارجز نہیں

فوری ادائیگی

لائف انشورنس کی سہولت



MESSAGES

MESSAGE

I am immensely pleased to know from the briefings and documents of the Bank of Azad Jammu and Kashmir (BAJK) that this institution is firmly on the path of growth in multiple spheres.

The nascent Bank has demonstrated progress in a short period of 15 Years despite stiff competition from the public and private sector banks. I pay tribute to the President/CEO and his efficient team for turning the Bank into one of the largest tax-payer entities of the State.

The Bank's products are being well received in the market, especially its deposits, investment and credit-lines. This activity is contributing directly and indirectly to the economic development of Azad Jammu and Kashmir and the empowerment of grass-root communities. The Bank's expansion in the past year is impressive and it is re-assuring to know that now it has established a network of 70 branches across the State which are poised to expand further. The day should be not far when the Bank will be in a position to explore the possibility of establishing branches in Pakistan and abroad.

Azad Kashmir and Pakistan have faced daunting challenges because of the Covid-19 pandemic. The Bank was not only been able to absorb the shocks and aftershocks of the economic turbulence caused by the pandemic, but has creditably increased its operating profits, deposits and home remittances. All matrices cited indicate that the Bank is ahead of the curve. I hope that in the coming years, the Bank would maintain its resilience to achieve even greater success.

It is also re-assuring to know that the Bank's overall exposure is growing and elaborate plans have been made to venture into the promotion and growth of tourism, extractive industry, agricultural diversity, horticulture, livestock and forestry.

I also take this opportunity to compliment Mr. Khawar Saeed, President/CEO of the Bank, for his effective stewardship of the Bank and his overarching emphasis on providing his service to the people. With the kind of dedication and expertise with which he is steering the Bank, of course with the help of his able associates, I am sure that the Bank would soon scale new heights of performance, become a premier institution and develop as a strong pillar for the economic development of Azad Jammu and Kashmir.

Sardar Masood Khan

President State of AJ&K



MESSAGE

The State of Azad Jammu and Kashmir today represents the growing and emerging financial market of a large number of customers who look for quality banking services in the areas of retail banking, trade finance, and inward home remittance. BAJK had to face a stringent competition from its competitors who had already been in the market for many decades, they were using the latest technologies and services, yet States only financial entity is emerging as a fast-growing institution in AJK and the other banks are considering it a threat for themselves. It is a matter of great satisfaction for me that within a very short span of time since its establishment, BAJK has successfully stretched its branch network in cities and towns to offer its product and services to the people. The bank is operating with 70 branches which need further expansion and also requires investment in technology to ensure instant delivery of its services to customers.

It hardly needs to be mentioned that one untapped area of business relates to investment in hydel power projects, tourism, horticulture and forestry. Toward this end the Bank may need to chalk out business strategies capable of implementation. BAJK hence, may come forward to explore opportunities and take initiatives to make investments in fore mentioned areas for economic development of the state. Bank should also, as a forward-looking financial institution, focus on CPEC related endeavors and initiatives for the economic prosperity of people viz-viz creating job opportunities to reduce unemployment. The bank has effectively won the trust of the people as a credible institution which is a silver lining for its business growth. Now the bank has to pay much emphasis on improving the quality of its services and come up with innovative products which may fulfill the demand of the time. Despite many upheavals, the bank has reflected impressive performance and produced excellent results in building up its deposits which is recognized, not less than bedrock, upon which its capacity to lend and invest would depend for sustained growth.

The year 2020 like its preceding year has witnessed devastating effects of pandemic Covid-19 which has not only slowed down the domestic economic growth but also left horrible prints on global economies including the developed world. By the grace of Almighty Allah and concerted efforts of the management the bank has operated successfully which is an evidence of the professional acumen of the President and the management at the helm and vigorous persuasion and implementation of business targets by the filed force. The bank has closed the year 2020 with remarkable achievements in procuring deposits and lending and investments. Its deposits climbed the figure of Rs. 13.7 Billion ever highest and similarly profit jumped to Rs.289 Million again highest when compared with previous years. The other indicators e.g., growth in inward remittances and EPS presently standing at Rs.2.8 Billion and Rs. 1.27 respectively amply defines its direction to make a quantum jump in the time to come.

I pledge that the Government of AJK will continue to observe complete autonomy and independence of the Board of Bank of AJK in framing policies focusing on national economic objectives and its functioning purely on commercial considerations to the entire satisfaction of stakeholders.

I strongly wish this institution to flourish further.

Raja Muhammad Farooq Haider Khan

Prime Minister, Govt. of AJ&K



MESSAGE

The Bank has completed fifteen years of its operations since its establishment in 2006. I am proud to mention that despite unfavorable economic conditions caused by COVID-19, the bank has not only made remarkable business progress but also surpassed all the previous business levels. This is evident from the figures of profit which increased from 134(M) to 289(M), reflecting highest ever growth rate of 115%. It demonstrates our resolve to build further on our present year's accomplishments and to move forward with greater pace to achieve better results in future.

The Bank has also registered splendid growth in other key areas of business such as deposits, financing & lending and home remittances, which are hallmarks of the year's business performance. The deposits which are considered as the backbone of a commercial bank increased from 11.87(B) to 13.70(B). Similarly, the lending & financing portfolio depicted significant growth of 11% over the corresponding last year 2019. Another area where the bank has reflected unparalleled growth pertains to Global Home Remittances in terms of number of transactions and amount of revenue generated as fee based business. Here, 231% growth was recorded.

The above achievements are the outcome of vigorous efforts to procure the business by the management and field staff for which I extend my personal appreciation to them. The Bank also maintained steady flow of quality services to the client, notwithstanding many limitations regarding observing SOPs set by the Government functionaries from time to time. This demonstrates that the bank has ability to compete with its rivals through pursuing effective marketing strategies and by enhancing the professional skills of employees.

There are certain areas which are still open for lending operations in the State for socio economic developments i.e. Hydropower, Tourism, Agriculture and Mineral Exploration. The bank can provide financial support to potential entrepreneurs to start up ventures in these sectors wherever projects are feasible, viable and sustainable. It is observed that other banks operating in the territory are not much inclined to lend in SMEs and Agriculture. They are focusing mainly to mobilize the deposits which may provide opportunity to BAJK for making investment in aforementioned areas and to reap the benefits.

Given the cut throat competition of doing business in modern times, quality of the service determines the success, which necessitates Banks focus on enhancing the professional skills and expertise of their HR. The bank is presently operating with a network of 70 branches which shall be further expanded to offer quality banking services in the areas where other banks are non existent.

It can hardly be over emphasized that IT plays vital role in delivery of quality service and to make the internal controls foolproof for ensuring the prevention of erosion of financial resources. BAJK direly needs investment in IT in order to enhance its competitive capacity. I am glad to mention here that the management is fully aware of this lag and working hard on modernizing its IT structure. The Board is also committed to support such initiatives of the management.

The Government of AJK is conscious of meeting the minimum capital requirements for obtaining scheduled status of the bank to provide it level playing field with other banking industry in Pakistan where rich business potentials exist. The Government has already injected an amount of Rs. 1.0 (B) as additional equity and is determined to provide more sums by the end of financial year 2020-2021, to enable the bank to meet the minimum capital requirement to operate as a scheduled bank.

I am fully confident that BAJK has a bright future and all the necessary strength to become a reputable entity known for providing quality service, and coupled with its financial credibility it would make its place in the Banking Industry. Bank's performance of the year 2020 fully testifies my optimism and belief.

I commend the Board and Management for their Commitment and efforts to make the Bank more successful and wish them all the best in their future endeavors.

Dr. Shahzad Khan Bangash

Chief Secretary Govt. of AJ&K/Chairman BoD



MESSAGE

The year 2020 has witnessed a great success for the bank in terms of business growth and profitability. The Bank has made unprecedented business progress during the year and has crossed many milestones in different areas of business despite adverse effect of COVID-19 pandemic on domestic and global economies viz-a viz cut throat competition posed by large banking institutions operating in the territory.

Profit of the Bank which was only Rs. 134.00 (M) in 2019 increased to Rs. 289.00(M) registering a growth rate of 116% which is ever highest in the history of BAJK. The deposits which were Rs. 11.87(B) in 2019 jumped to Rs. 13.70(B) in 2020 reflecting all time high growth rate of 15% . The total assets which stood at Rs. 13.566(B) in 2019 increased to Rs. 16.819(B) marking 24% increase which is a significant achievement. The magnitude of Home Remittances was not impressive and remained merely at small figure of Rs. 863 (M) in 2019. However, with our concerted efforts, we managed to touch the impressive figure of Rs. 2.80 (B) depicting historical growth rate of 224%. The advances portfolio also increased by end of the year 2020 from Rs. 2.209 (B) to Rs. 2.450(B). In lending, the main emphasis remained on prudence and quality to avoid chances of infection. In 2019, Earning per Share (EPS) was Rs. 0.64 which exorbitantly rose to Rs. 1.27 in 2020 representing 98% growth over the last year which is again highest ever in the history of the Bank.

The Bank also supported various welfare initiatives of the State under its CSR policy and as a responsible corporate citizen has assisted through allocation of large sums in the areas, like clean & green environment, tourism, sports promotion etc. which is highly appreciated by the Government and civic society.

The importance of effective IT structure to ensure prompt delivery of quality services to customers can hardly be over emphasized. The management has focused to improve the existing old IT platform within available financial resources in order to achieve operational efficiencies and optimized service quality levels. This initiative will enable the Bank to launch products best suited to our customers needs. The Bank will also make further investment in modernizing the IT structure in future. I am glad to mention that the Board is fully committed to allocate large sums for this purpose.

The management of the Bank is poised to accelerate its efforts during the year 2021 to procure sizeable low cost deposits, diversify its lending portfolio, improve service quality to compete rivals effectively and to increase our customer base which is the key underlying factor to move forward. The bank is operating with a network of 70 branches at present which is being further expanded on priority in coming years to those remote areas which lack banking facilities.

The above landmarks could have not been achieved without continued patronage, support and trust of our main shareholder, Government of AJK and we pledge to keep this trust in years to come with higher financial performance. The Bank has all the capacity to emerge and develop as a premier financial institution, fostering socio-economic development of the people of AJ&K. I feel confident that the bank will make further progress in year 2021 & beyond and will achieve all its business goals and targets with dedication and commitment of our employees to come up to the expectations of all our stakeholders **(In-shaa Allah)**.

Khawar Saeed
President/CEO





BOARD OF DIRECTORS



DIRECTORS' PROFILE



Dr. Shahzad Khan Bangash

Chief Secretary AJK/Chairman

Dr. Shahzad Khan Bangash 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 has assumed the office as 49th Chief Secretary to the Government of AJK on July 06, 2020. He belongs to the prestigious DMG Group of federal services. Dr. Bangash is a senior civil servant with extensive national and international exposure. He has served on various positions abroad including United Nations Mission in Kosovo. Dr. Bangash has vast experience in management and administration at his credit which includes various top hierarchical administrative positions in federal and provincial governments. Before joining the current assignment, he has served as Additional Chief Secretary, Government of KPK and later on as Director-General, Immigration and Passports, Ministry of Interior at Federal Government. In view of his excellent credentials, he was appointed as Director on the Board of National Engineering Services Pakistan (Pvt.) Limited (NESPAC) and also held the position of Chairman Board of Directors, Bank of Khyber (BoK).



Khawar Saeed

President & CEO

Mr. Khawar Saeed President & CEO of BAJK is a career banker with diversified Domestic and International banking experience. He holds Master of Business Administration (MBA) degree and is an Associate of Institute of Bankers Pakistan, (DAIBPP) with distinction in Book Keeping & Accounts. Mr. Saeed also holds Certificate of Professional Designation in International Business Management, Award in General Business Studies-Credit Management, Certificate in International Business and Trade from the University of California, Los Angeles, USA (UCLA). He has Certificate in Credit Management from the National Institute of Credit, USA. Mr. Saeed has attended a number of advance banking courses, seminars, and workshops. He started his banking career with Saudi British Bank, Riyadh, Saudi Arabia. During 33 years of glorious innings in NBP, he played leading role at Head Office / Regional Offices and has successfully run Central Asian network of Republics Region as CEO which comprised of two full-fledged Subsidiary banks, three branches and one representative office in six different counties. He possesses strong leadership and management skills with proven abilities and has been able to transform the business profile of the Institution by evolving and implementing result-oriented strategies, team spirit and unique business practices. His expertise in International banking, Corporate Finance, commercial and retail banking, Compliance, HR, SMEs and Micro Credit etc. has earned him reputation in the areas of business development and organizational turnaround. Mr. Saeed maintains an excellent portfolio with numerous accomplishments, awards and accolades that accumulated over the years due to consistent hard work, dedication and outstanding performance in the banking profession. He has been member BOD of Fauji Fertilizer Company. He was also chairman BOD NBP Subsidiary Bank Almaty Kazakhstan and Subsidiary Bank Tajikistan. He is member of the State Tourism Executive Committee (STEC) and also member of the Board of Investment, Azad Government of the State of Jammu and Kashmir.

**Asmatullah Shah**

Director

Mr. Asmatullah Shah is Secretary Finance, Azad Government of the State of Jammu & Kashmir and Director of the Board of BAJK. He is an Engineering Graduate and a career civil servant belonging to Pakistan Audit and Accounts Service. He has assumed the office of Finance Secretary of the Government of AJK in January, 2020 on deputation basis. Prior to joining the Government of AJ&K as Secretary Finance, he has served as Director General Audit, Government of KP; Secretary Worker Welfare Board, Peshawar; Additional Accountant General KP; Additional Secretary (Finance), Government of KP; Joint Secretary (Housing & Works), Islamabad; Additional Secretary (Planning & Development), Government of KP; Managing Director Education Foundation, KP and other assignments relating to Public Finance, Project Management etc.

**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 (LSE) and also a Masters of Philosophy (M. Phil.) Degree in International Relations and Affairs from reputed Quaid-e-Azam University, Islamabad. He belongs to District Management Group of AJK Civil Service and has served as Assistant Commissioner, Deputy Commissioner and Commissioner all over AJ&K. Besides this, he has vast experience in management, administration and planning at his credit which includes holding of various top hierarchy administrative positions and has headed various departments as Secretary to the Government of the State of Jammu and Kashmir viz. Secretary Information, Tourism, Information Technology, Communications, Energy & Power Development etc; in addition to serving as Principal Secretary to the Prime Minister, AJ&K.

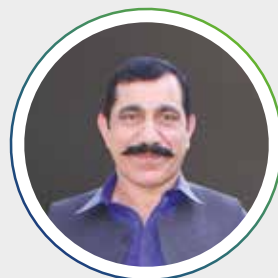
DIRECTORS' PROFILE



Mohammad Ahsen

Director

Mr. Mohammad Ahsen is the Secretary to Azad Government of the State of Jammu and Kashmir. He is currently posted as Secretary Industries, Labour & Mineral Resources / AJ&K Board of Investment. He is a Post Graduate in Development Studies from Institute of Development Policy and Management, the University of Manchester, United Kingdom and also in Chemistry from Quaid-e-Azam University, Islamabad. Mr. Ahsen has headed various important administrative positions in the state as Secretary S&GAD, TEVTA, Industries / Mineral, Electricity / PDO, Social Welfare, Planning & Development Department and Physical Planning & Housing Departments. He has vast and diversified experience in Planning, Administration and IT at various departments of Government of AJK. He has attended a number of training programmes on Green Economy, Poverty Alleviation, Project and Office Managements in Japan, Thailand and Pakistan. He has more than 28 years' experience in Public Sector holding various key positions. Due to his vast experience and idealistic control, he has a few International Publications to his credit such as "Economic and Social Impact of Privatization in Pakistan" published by Lambert Academic Publishing, Germany, 2016, "Politicization of Bureaucracy or Bureaucratization of Politics – Discerning Myth from Reality", "International Journal of Management Sciences and Business Research" Nov 2016 and co-authored "Our State of Preparedness in Case of Natural Calamities and Disaster", International Journal of management Sciences and Business Research, Dec 2016.



Syed Zahoor-ul-Hassan Gillani

Director

Syed Zahoor-ul-Hassan Gillani is Secretary to the Government of the State of Jammu and Kashmir, heading the Forests, Wildlife, Fisheries and AKLASC and also the Director of the Board of BAJK. He has headed various important administrative positions in the state as officer of the D.M.G. Moreover, he has served in a Foreign Mission of Pakistan abroad (K.S.A.) with the status of Councillor labour/Community Welfare Attachee for more than three and a half year, from 2007 to early 2011. He has vast and diversified experience in planning, finance, education, tourism, IT, agriculture, livestock and information sectors at various departments of Government of AJK. He has attended large number of training programmes. He is also on the Board of Directors of Azad Kashmir Logging and Sawmills Corporation (AKLASC).

DIRECTORS' PROFILE



Ejaz Hussain Rathore
Director

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



Naveed Sadiq
Director

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



Raja Mumtaz Ali
Director

Raja Mumtaz Ali Director Board of the Bank of Azad Jammu and Kashmir is a Law Graduate and also holding Diploma in Banking from the Institute of Bankers Pakistan (IBP). He has rich and diversified experience in Banking and has held key Management positions at Habib Bank Ltd. and Allied Bank Ltd. He is a seasoned banker and his career 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 steered its operations with profitability and in a very short span made it emerged as a viable and profitable corporate entity of the state. He served the Bank for five years (i.e., from September 2006 to August 2011), leaving behind the legacy of continued successes and significant achievements.

MANAGEMENT TEAM

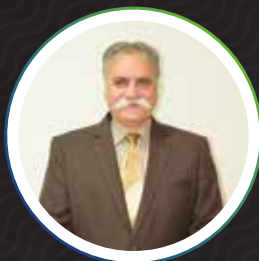
WITH PRESIDENT/CEO





Syed Aftab Hussain Gillani

Divisional Head SAMD/RMD



Maazullah Khan

Divisional Head HRMD/Operations



Muhammad Afsar

Chief Compliance Officer



Shahid Shahzad Mir

CFO



Zamurrad Hussain

Divisional Head CRBD



Ahtasham Malik

Divisional Head IT



Mrs. Raheela Javed

Divisional Head A&ID



Muhammad Akram Awan

Divisional Head CAD/CMD



10

years

A T A G L A N C E

2011 - 2020

10 YEARS AT A GLANCE

Rupees in million

Balance Sheet	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Deposits	13,700	11,874	11,063	9,547	7,846	7,441	6,643	5,368	4,600	3,883
Advances (net)	2,247	2,037	2,029	2,408	2,609	2,834	2,257	1,678	1,101	953
Investment	186	178	176	340	605	1,150	1,172	204	225	298
Equity	2,385	1,227	1,154	1,063	949	880	810	730	684	538
Total Assets	16,819	13,566	12,411	10,841	8,936	8,455	7,585	6,204	5,401	4,514

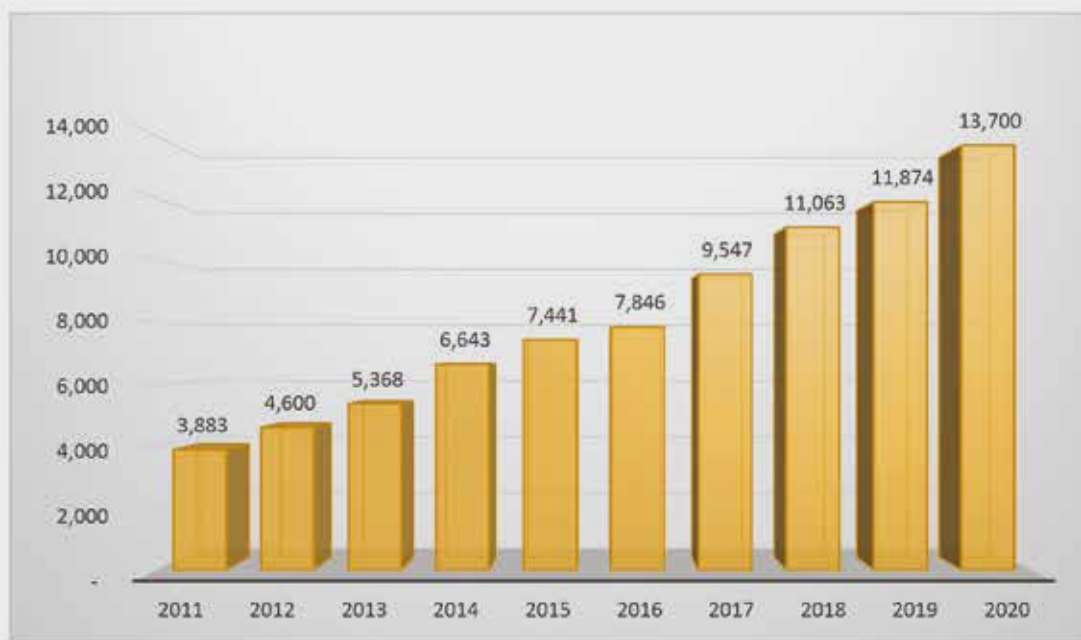
Operating Results										
Mark-up/return/interest earned	1,512	1,279	936	843	809	795	723	562	555	426
Mark-up/return/interest expensed	737	703	385	327	333	376	378	320	293	176
Net Markup Based Income	774	577	551	516	475	419	346	242	262	249
Non Markup Based Income	10	8	22	52	51	39	56	45	46	19
Non Markup Based Expenses	24	19	422	363	325	285	243	207	159	118
Operating Profit	289	134	151	204	201	172	159	81	150	150
Provision	31	9	(22)	(63)	112	47	53	18	9	73
Net Profit/(Loss) Before Tax	258	125	173	267	90	125	106	63	141	77
Net Profit/(Loss) After Tax	153	72	100	157	51	70	80	46	96	53

Other Information										
Earning per share (Rupees)	1.27	0.64	1.07	1.68	0.65	0.89	1.22	0.72	1.66	1.00
Number of Branches	70	70	70	68	65	64	59	52	52	50

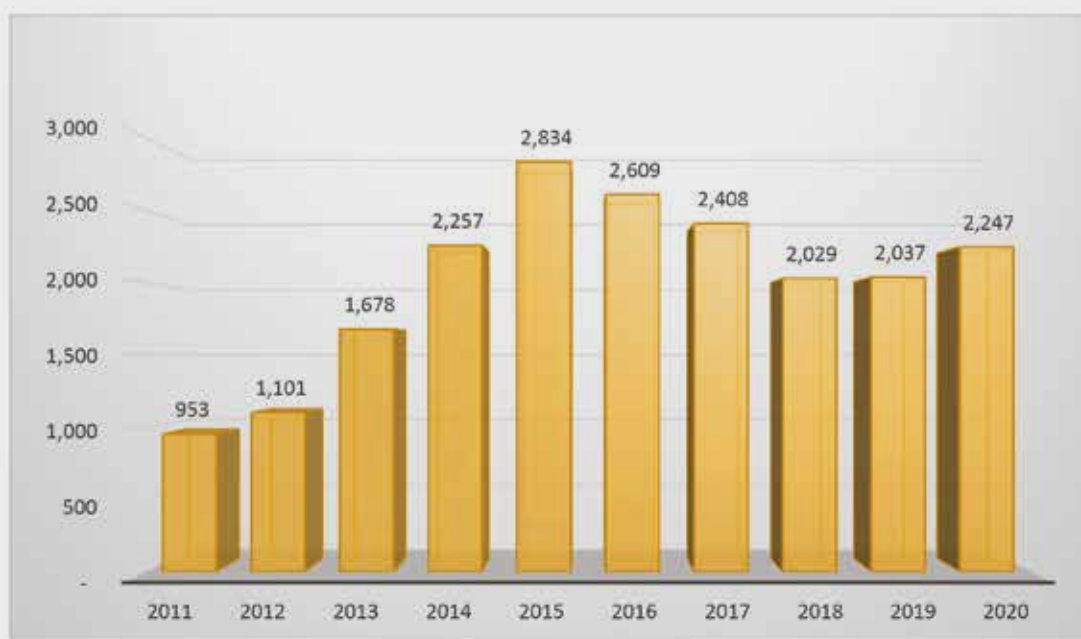
FINANCIAL HIGHLIGHTS



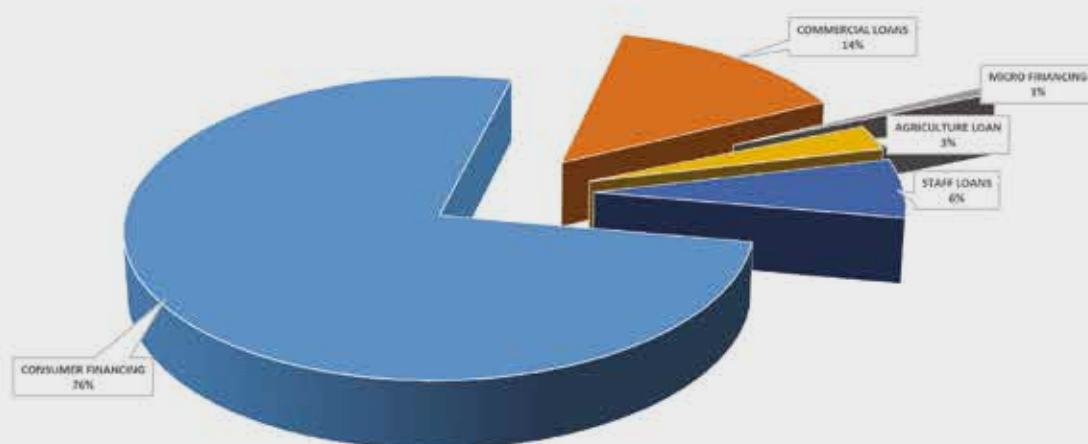
Deposits *Rs. in million*



Advances *Rs. in million*

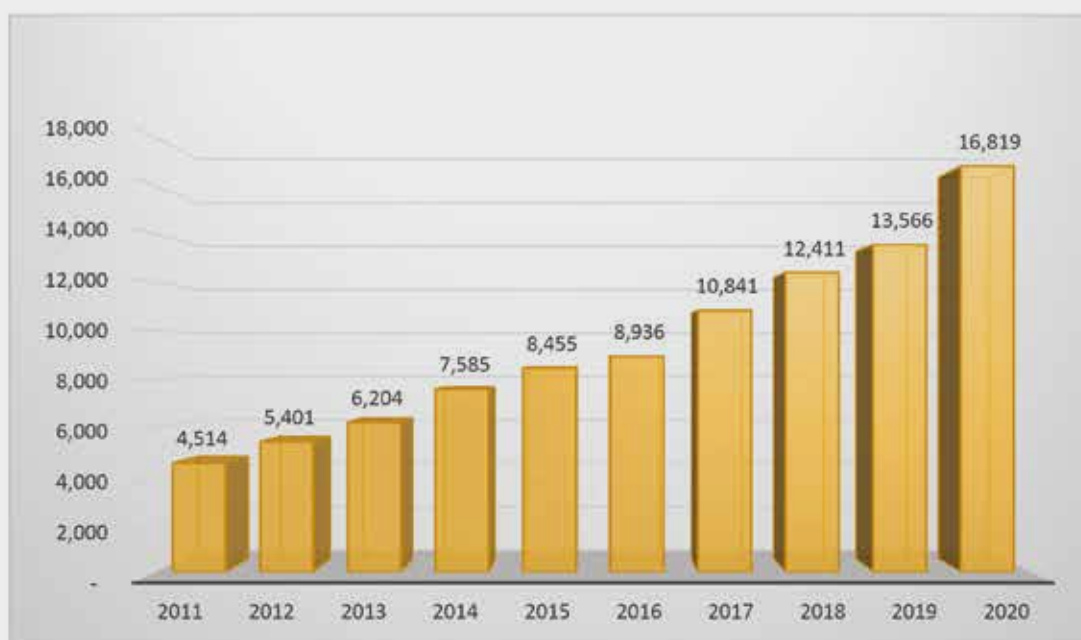


Advances Mix (%)



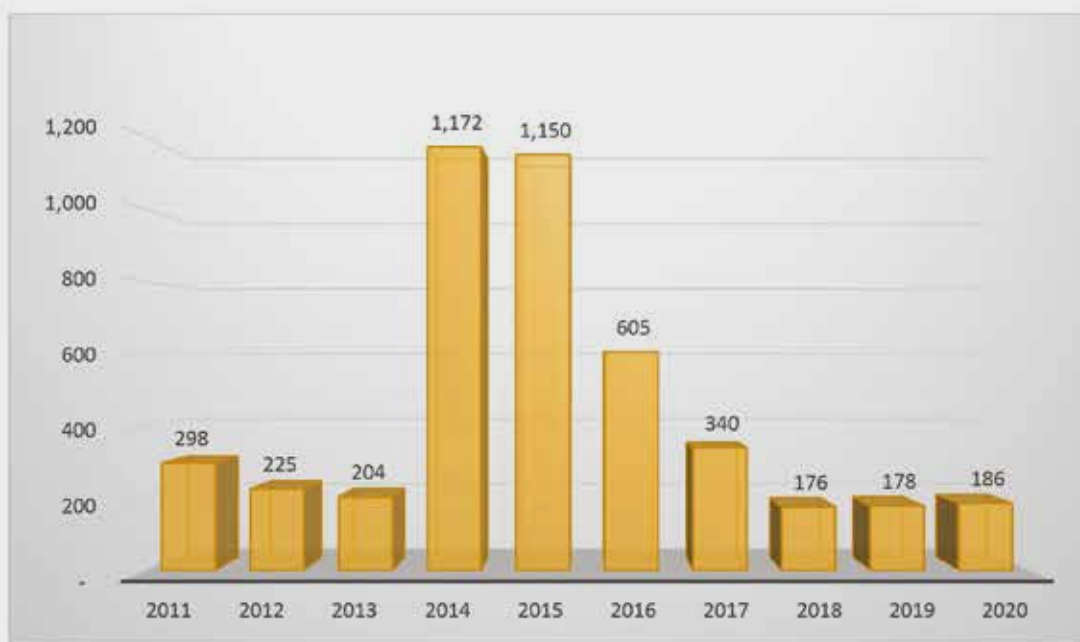
Assets

Rs. in million



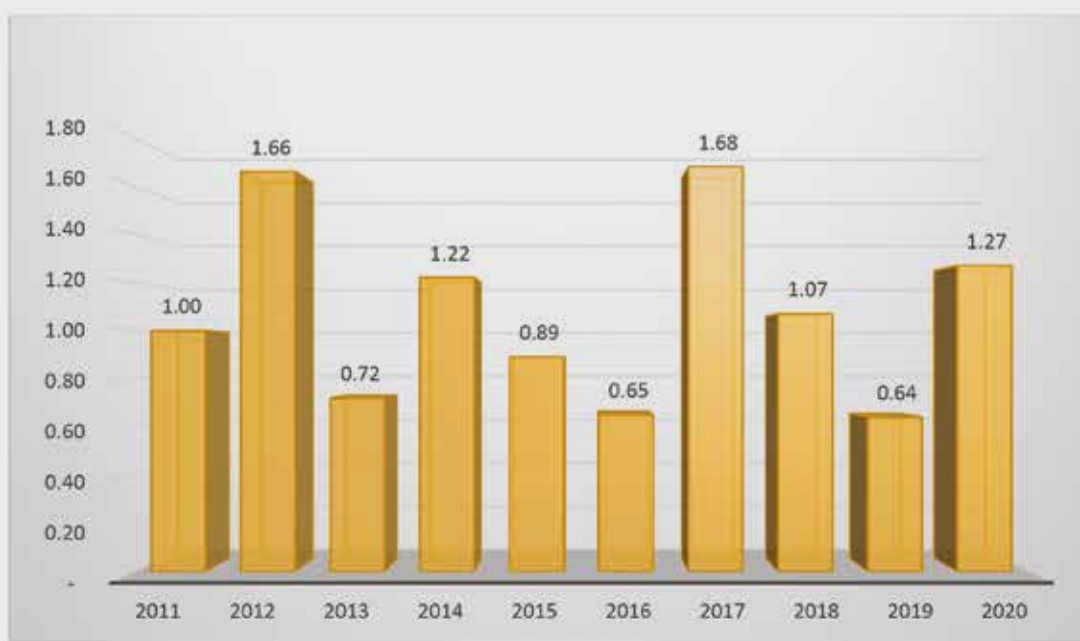
Investments

Rs. in million

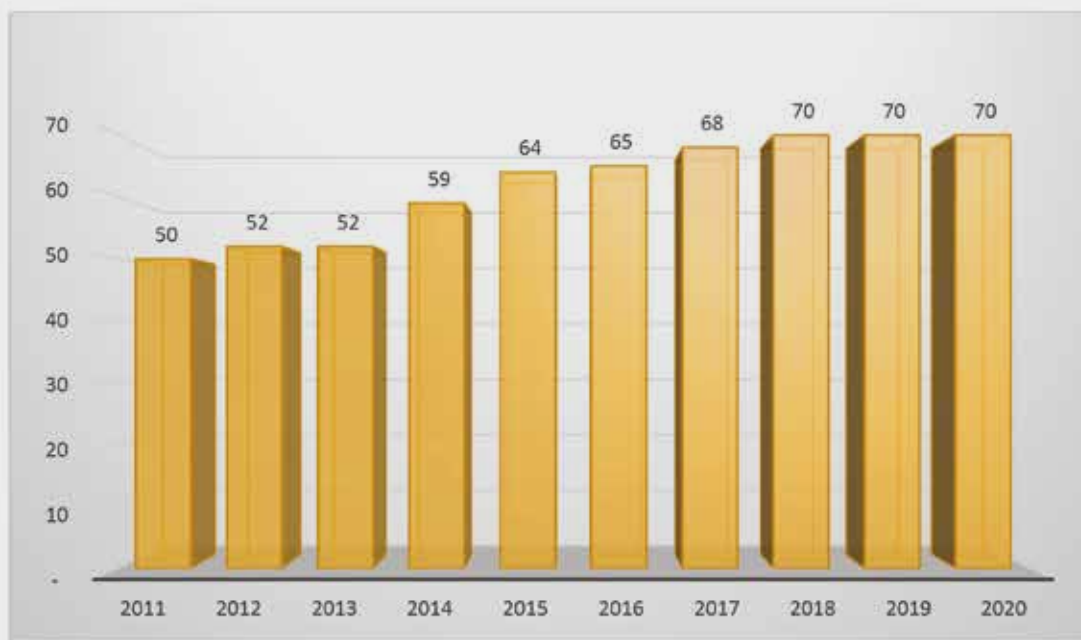


Earning Per Share

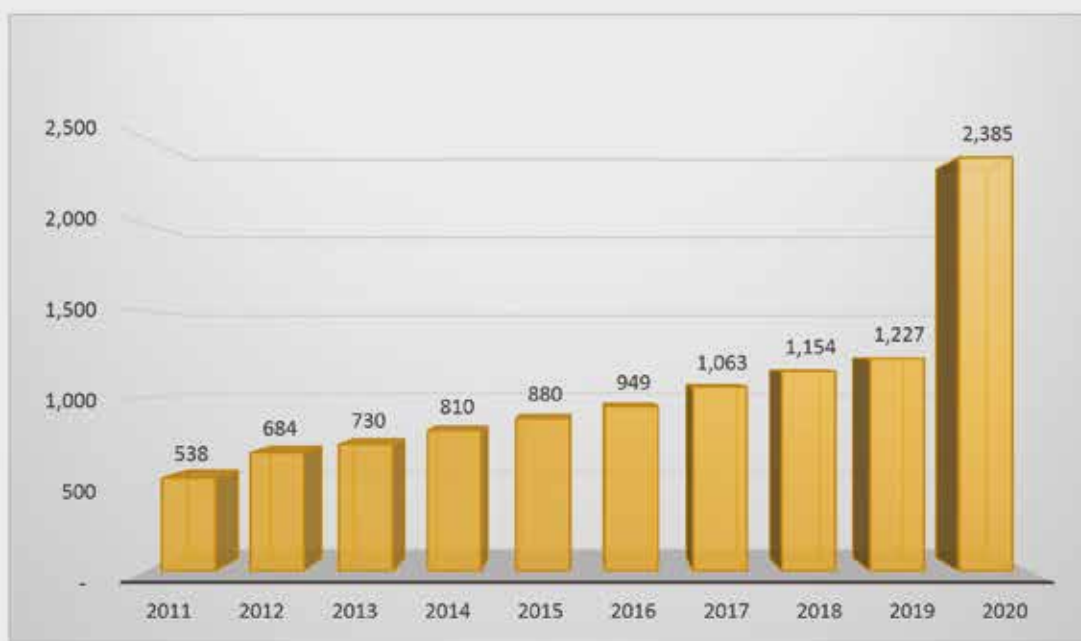
(Rupees)



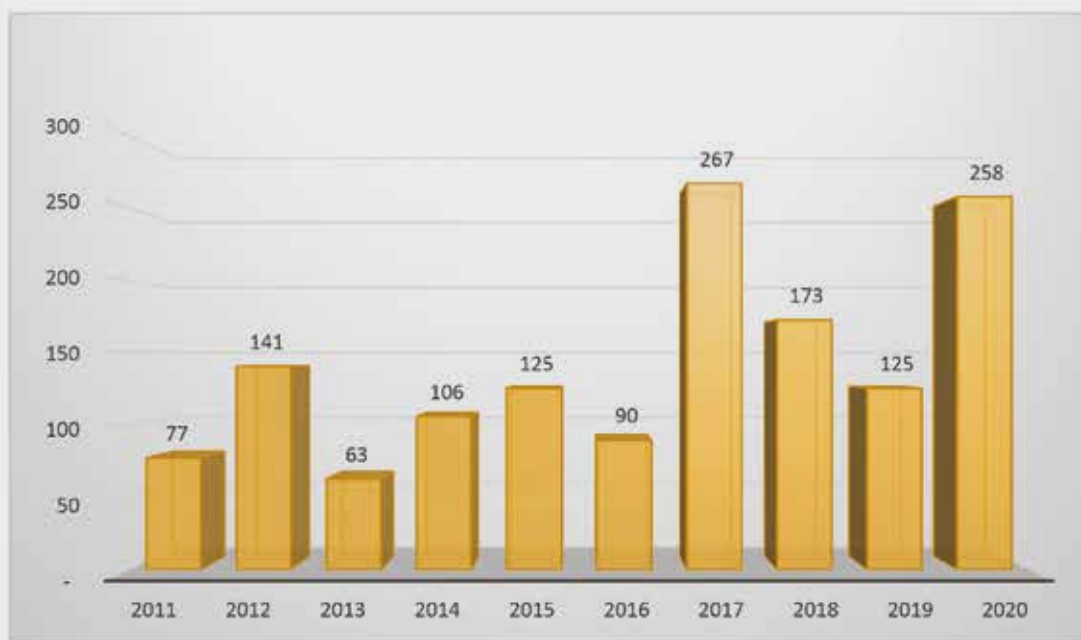
No. of Branches



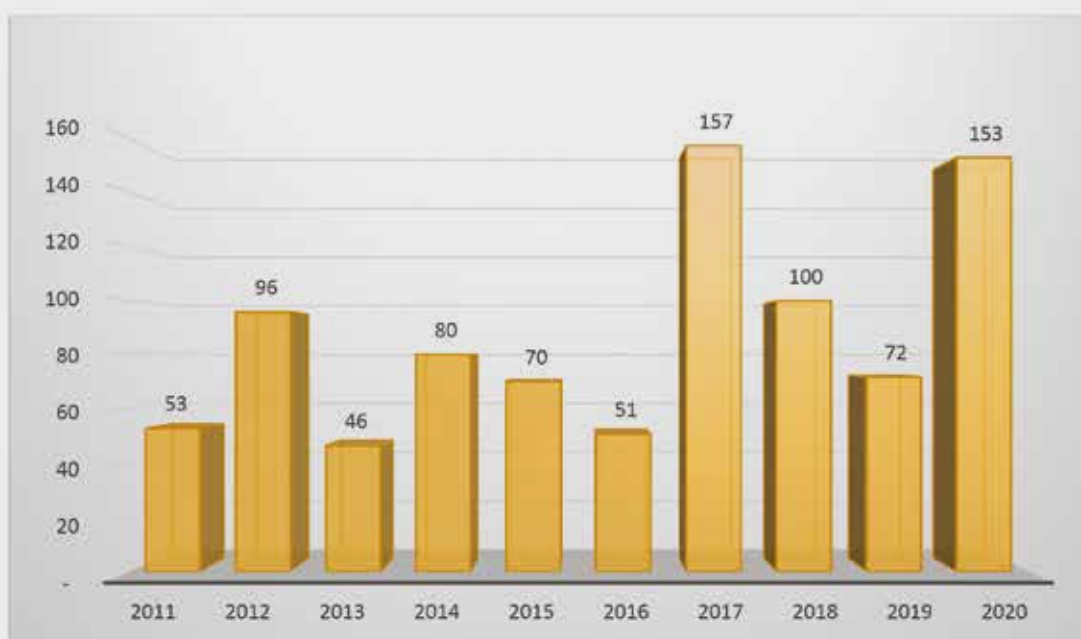
Equity *Rs. in million*



Profit Before Tax *Rs. in million*



Profit After Tax *Rs. in million*



CUSTOMIZED PRODUCTS

CONSUMER FINANCING

Car Finance

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

Motorcycle Finance

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



Advance Salary Scheme

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

Gold Loan

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

House Loan

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

Personal Loan

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

Home Appliances Finance

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

COMMERCIAL / SME FINANCE

Running Finance

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

Auto Finance

For all businessmen, Companies, Government Institution, Autonomous Corporations of AJK.

Demand Finance

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

Construction Finance for Commercial Building/Shopping Malls

BAJK offers loan facility for construction/renovation/purchase of commercial buildings / plazas / shops etc. on easy terms.

Health Care Services Finance

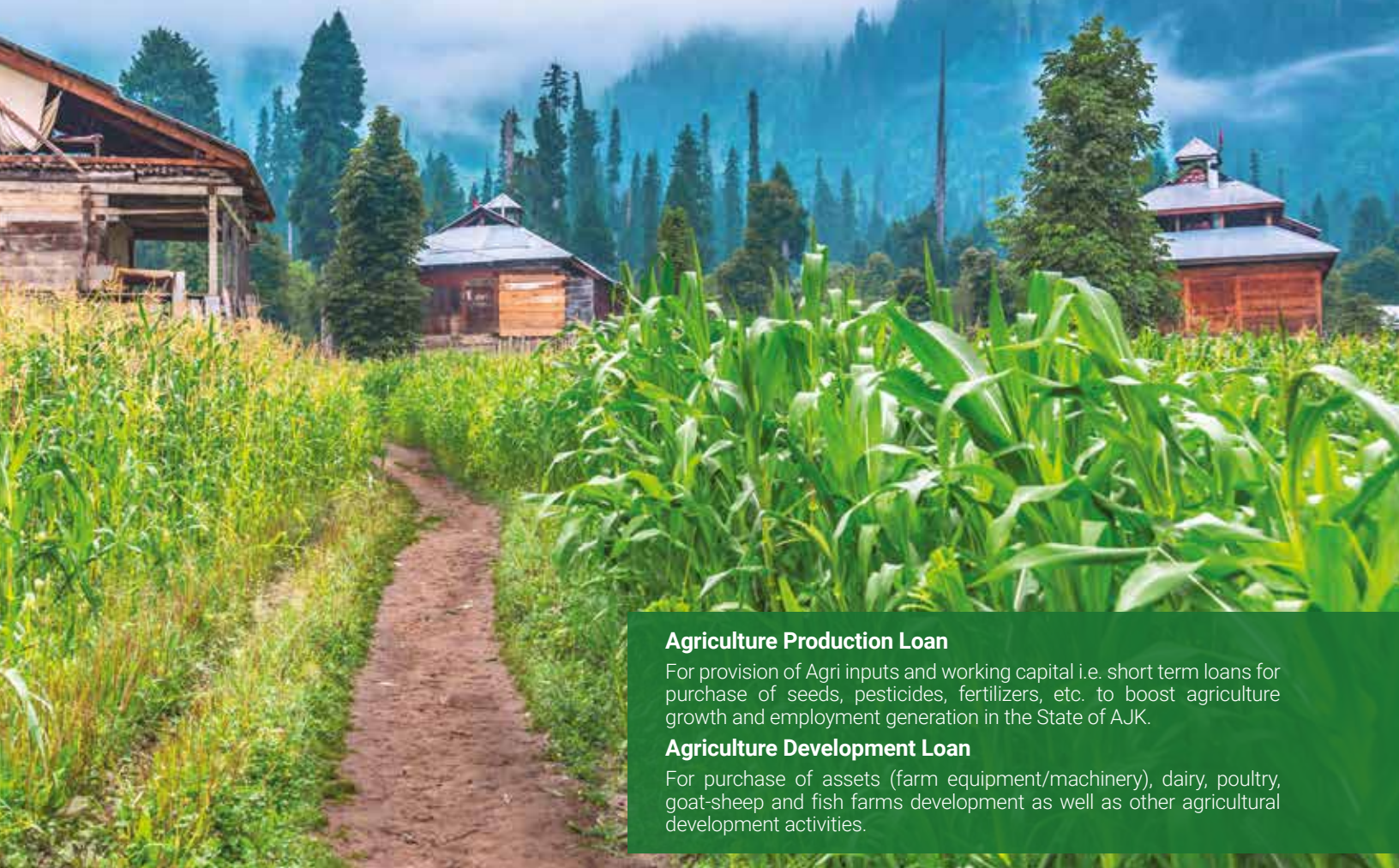
BAJK offers financial facility to setup/expansion/renovation/modernization of medical / health facilities in AJK.

Tourism Promotion Finance

Purpose of this loan scheme is to finance the infrastructure facilities to promote/facilitate tourists activities and movements in tourist attractions in AJK. The tourists infrastructural facilities include establishment of tourist huts, refurbishment/renovation of existing guest houses, erecting additional accommodation within existing residential houses of the locals in AJK.



AGRICULTURE FINANCE



Agriculture Production Loan

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

Agriculture Development Loan

For purchase of assets (farm equipment/machinery), dairy, poultry, goat-sheep and fish farms development as well as other agricultural development activities.

MICRO FINANCE

Micro Enterprise Loan

To encourage small scale enterprises, create self-employment opportunities, generate economic activities and reduce poverty.

Desi Murghbani Scheme

Promotion of Desi Murghbani / Poultry by establishing small units of minimum 10 poultry birds at cottage level (for economic empowerment of rural women). The production units will comprise of grown up Desi layer stock purchased from local suppliers / villagers. Promoting organic chicken and eggs production, creating self-employment, generating income activities, reducing poverty and growing production.





DIRECTORS' REVIEW REPORT

On behalf of the Board of Directors, we are pleased to present the Directors' Report on the 15th Annual Report of the Bank of Azad Jammu & Kashmir for the year ended 31st December 2020, together with Auditors' report thereon.

ECONOMY

The rapid spread of COVID-19 and sharp deterioration in global economic outlook created severe economic and financial shock for many countries around the world. For Pakistan, the current shock transmits mainly through slowdown in economic activity, lower tax revenue and higher Government financing needs relative to pre-COVID-19 levels. Support from the International Monetary Fund (IMF) emergency financing under the Rapid Financing Instrument (USD 1.39bn) in April 2020 provided strong support to the authorities' emergency policy response, preserving fiscal space for essential health spending, shoring up confidence and catalyzing additional donor support. Pakistan has also received approval for its participation in the G-20's Debt Service Suspension Initiative (DSSI), which will materially lower FY21 debt repayments to bilateral creditors. State Bank of Pakistan (SBP) adopted timely measures, including lowering of the policy rate (625 bps since March 2020) and new refinancing facilities, to support liquidity, credit conditions and safeguard financial stability. Under the SBP relief package, repayments of more than Pakistani Rupee (PKR) 650bn by the borrowers have been deferred along with disbursement of PKR 238bn in payroll support facilities for Corporate/ SME sector. On the fiscal side, public finances remain under pressure from the increase in health-related expenditures and decline in tax revenues. Government projects a growth of 2% for GDP in FY21, following a contraction of 0.4% in FY20 resulting from the pandemic. On the monetary front, average consumer price inflation (new base) in the month of December 2020 was 8.0% as compared to December 2019 average (new base) of 12.6%. At close of December 2020, external conditions showed steady improvement. The country posted a surplus of USD 1.1bn (Jul 20 to Dec 20) as compared to a deficit of USD 2.0bn in the comparative period. Improvement in Balance of Payments was primarily driven by import compression and growth in workers' remittances. The

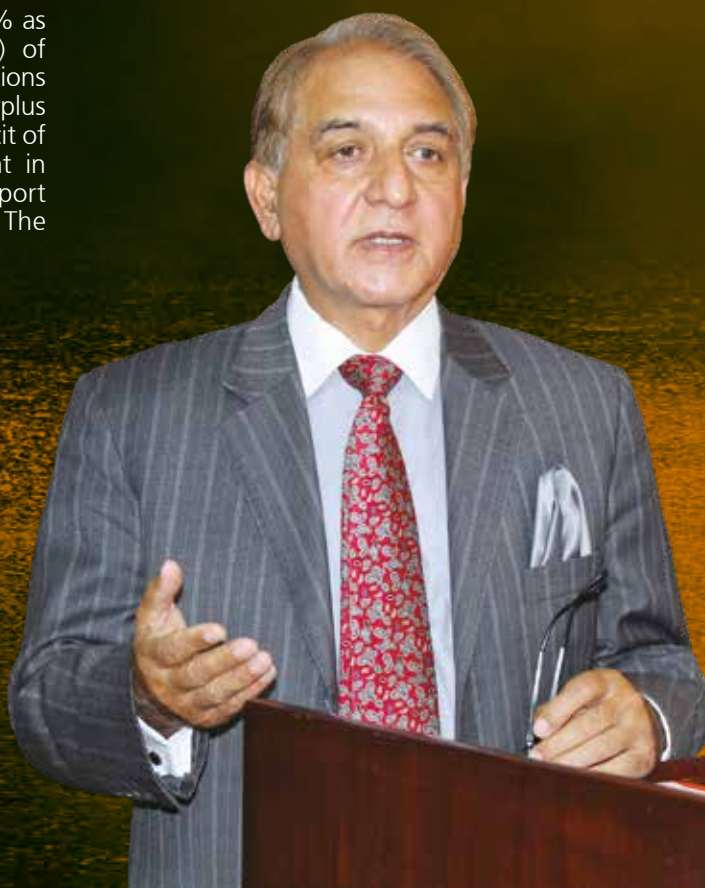
SBP foreign exchange reserves stood at USD 13.4bn at close of December 2020 (December 2019; USD 11.3bn) with PKR depreciating by 3.1% for the year. Pakistani banks continue to remain well capitalized with an industry wide Capital Adequacy Ratio of 19.5% and remain profitable with a Return on Equity (after tax) of 14.8%. While banking sector Non Performing Loans increased slightly to 9.9% (8.6% at the end of 2019), it remains to be seen how the uncertainties surrounding COVID-19 impact the banking sector going forward.

FINANCIAL PERFORMANCE

Performance growth of the Bank and its continuity with reflection of improvements in all major key indicators was encouraging during the year. Our results for the year 2020 were outstanding despite of the toughest market environment. With a vision to fulfill the needs of our clients, we are now on the path of progress and serving the society at larger scale.

During the year 2020, by the grace of Allah SWT, BAJK had made headway towards growth and development. It has crossed many milestones like growth in deposits, advances and profitability despite the overall downfall in the economy of the country and devastating adverse effects of Covid-19 pandemic on domestic and global economies.

Tremendous achievements were made in Deposits growth, Remittances and Profit during the period under review due to result-oriented marketing strategies, tireless efforts and blended teamwork. The Bank managed to achieve the unprecedented performance by posting a record amount of profit of Rs. 289 Million by the end of December, 2020. Likewise, deposits of the Bank which stood at Rs. 11.87 Billion in December, 2019 increased to Rs. 13.7 Billion by



December, 2020. This is also the highest figure ever achieved in the history of BAJK. EPS which was Rs. 0.70 in December, 2019 increased to Rs. 1.27 in December, 2020 depicting 98% growth.

Inward Home Remittances increased to record level of Rs. 2.88 Billion by December, 2020. This is again ever highest since inception. During the year, the Bank has entered into an agreement with JS Bank Limited for Home Remittance Business through which, remittance through more than 29 companies shall be paid through Bank of AJK which will also be helpful in increasing the customer base of the Bank and will boost the income of the Bank as well.

Arrangements were made with Jubilee Life Insurance to enhance Non-fund-based income through marketing of bancassurance among BAJK Customers. BAJK also negotiated an Agreement with M/S Data Check Private Limited (Licensed by State Bank of Pakistan) to provide services for tracking and sharing the Credit History of potential borrowers to determine their credit worthiness for improving the quality of lending. BAJK launched Advance Salary Campaigns to enable employees for availing the benefits of the facility to improve their socio-economic conditions. The Bank continued to manage uninterrupted and smooth operations during COVID-19 pandemic by strictly implementing the SOPs, following the Government's instructions and observing other preventive measures.

The Bank strengthened Commercial & Retail Banking Division and field functionaries to aggressively promote Bank's business. BAJK Launched well defined business promotion campaigns. The merit-based culture and transparency in recruitment and inductions in the Bank was ensured. Many loss-making branches were converted into profit earning units during the year. Internal Controls and Monitoring measures have been strengthened in order

to minimize chances of frauds and forgery.

CAPITAL ADEQUACY RATIO (CAR)

The Capital Adequacy Ratio (CAR) under BASEL-III stood at 31.15%, as on 31st December 2020, which is above the norm of 12.50% stipulated by State Bank of Pakistan. Similarly, the Tier-I component of CAR stood at 30.44% as on 31st December, 2020 which is much above the norm of 6% stipulated by State Bank of Pakistan.

EVENTS AFTER THE BALANCE SHEET DATE

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

FUTURE OUTLOOK

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

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

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

HUMAN RESOURCE MANAGEMENT

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

AUDITORS

The retiring external auditors Messrs Yousuf Adil, Chartered Accountants, being eligible, have offered themselves for re-appointment. The Board of Directors, on the suggestion of the Audit Committee, recommends Messrs Yousuf Adil, Chartered Accountants (a member firm of KPMG International) to be appointed for the next year at a fee to be mutually agreed.



MEETINGS OF THE BOARD AND ITS COMMITTEES

There have been eight (08) meetings of the Board of Directors (BOD), Seven (07) meetings of Board Audit Committee (BAC), eight (08) meetings of Board Executive Committee (BEC) and (03) meetings of the Board IT Committee (BIT) held during 2020.

Attendance by each director has been as follows:-

Name of Directors	BOD		BAC		BEC		BIT	
	Total	Att.	Total	Att.	Total	Att.	Total	Att.
Chief Secretary/Chairman	08	08	-	-	-	-	-	-
Secretary Finance	08	08	07	07	08	08	3	1
Senior Member Board of Revenue	08	08	07	07	-	-	-	-
Secretary Forest & AKLASC	08	08	-	-	-	-	3	2
Secretary Industries	08	07	-	-	08	07	3	3
President/CEO Bank of AJK	08	08	07	07	08	08	3	3
Mr. Ejaz Hussain Rathore	08	08	07	07	-	-	3	2
Mr. Raja Mumtaz Ali	08	08	07	07	08	02	-	-
Mr. Naveed Sadiq	08	08	-	-	-	-	-	-

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

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

ACKNOWLEDGEMENT

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

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

May Allah Almighty help us to continue our services and best efforts for our valued clients and well-being of people of the State of Azad Jammu and Kashmir, **AAMEEN**.

For and on behalf of the Board of Directors

President/CEO

Chairman

AUDIT



AUDITORS' REPORT





Yousuf Adil
Chartered Accountants

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

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

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

Opinion

We have audited the financial statements of the Bank of Azad Jammu and Kashmir (the Bank), which comprise statement of financial position as at December 31, 2020, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and its Bye-Laws 2007 (the Bye-Laws).

Basis for opinion

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with



Yousuf Adil
Chartered Accountants

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Yousuf Adil
Chartered Accountants

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Chartered Accountants

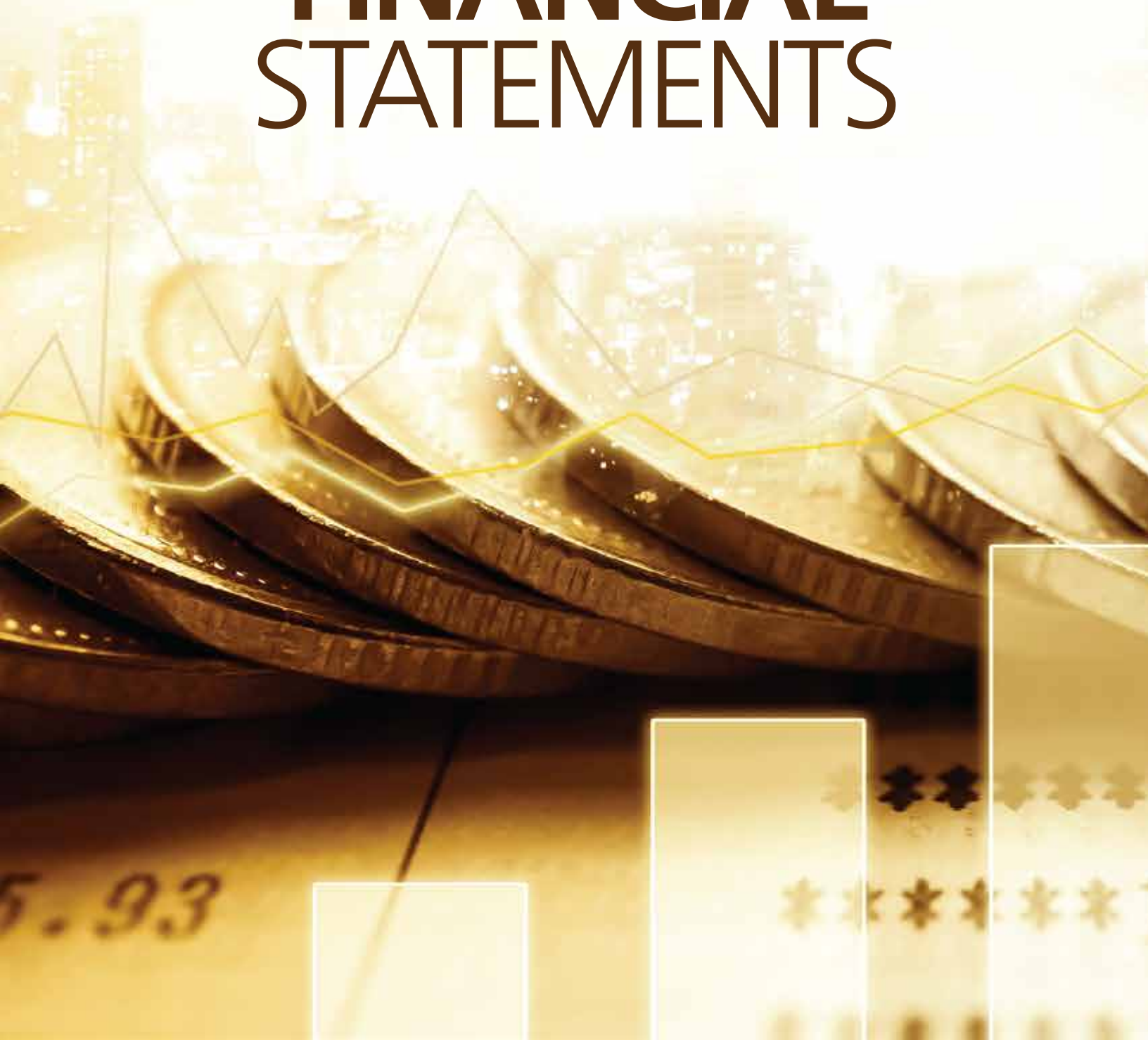
Islamabad

Date: June 04, 2021





FINANCIAL STATEMENTS



THE BANK OF AZAD JAMMU AND KASHMIR

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

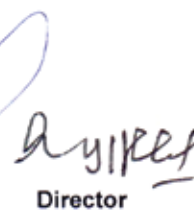
	Note	2020 -----Rupees in '000-----	2019
ASSETS			
Cash and balances with treasury banks	5	3,454,865	3,005,671
Balances with other banks	6	9,825,491	7,308,507
Lendings to financial institutions		-	-
Investments	7	185,845	178,401
Advances	8	2,246,653	2,036,826
Fixed assets	9	230,026	238,881
Intangible assets		-	-
Deferred tax assets	10	26,407	22,426
Other assets	11	850,127	775,623
		16,819,414	13,566,335
LIABILITIES			
Bills payable	12	67,414	21,148
Borrowings		-	-
Deposits and other accounts	13	13,700,340	11,873,535
Lease liabilities against right of use assets	14	132,911	122,388
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	534,159	322,201
		14,434,824	12,339,272
NET ASSETS		2,384,590	1,227,063
REPRESENTED BY			
Share capital	16	2,129,911	1,027,192
Reserves		-	-
Deficit on revaluation of assets	17	(12,451)	(17,290)
Unappropriated profit		267,130	217,161
		2,384,590	1,227,063
CONTINGENCIES AND COMMITMENTS	18		

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


 President and CEO


 Chief Financial Officer


 Director


 Director

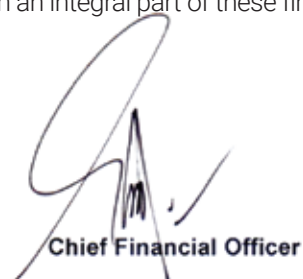

 Director

THE BANK OF AZAD JAMMU AND KASHMIR PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2020

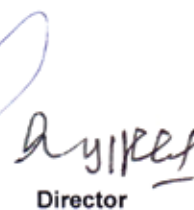
	Note	2020 -----Rupees in '000-----	2019
Mark-up/return/interest earned	19	1,511,546	1,279,455
Mark-up/return/interest expensed	20	737,253	702,719
Net mark-up/interest income		774,293	576,736
NON MARK-UP/INTEREST INCOME			
Fee and commission income	21	18,668	16,234
Dividend income		9,934	8,107
Other income	22	5,696	3,051
Total non-markup/interest income		34,298	27,392
Total income		808,591	604,128
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	23	519,386	470,061
Workers welfare fund		-	-
Other charges		-	-
Total non-markup/interest expenses		519,386	470,061
Profit before provisions		289,205	134,067
Provisions and write offs - net	24	31,379	8,665
Extra ordinary/unusual items		-	-
PROFIT BEFORE TAXATION		257,826	125,402
Taxation	25	(105,138)	(53,572)
PROFIT AFTER TAXATION		152,688	71,830
Basic and diluted earnings per share	26	1.27	0.64

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


 President and CEO


 Chief Financial Officer


 Director


 Director


 Director

THE BANK OF AZAD JAMMU AND KASHMIR STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	-----Rupees in '000-----	
Profit after taxation for the year	152,688	71,830

OTHER COMPREHENSIVE INCOME

Items that may be reclassified to profit and loss account in subsequent periods

Movement in surplus on revaluation of investments - net
Related deferred tax expense

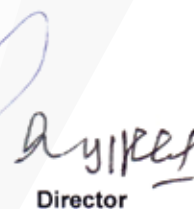
	7,445	2,531
	(2,606)	(886)
	4,839	1,645
Total comprehensive income	157,527	73,475

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


 President and CEO


 Chief Financial Officer


 Director


 Director


 Director

THE BANK OF AZAD JAMMU AND KASHMIR STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

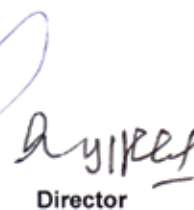
	Share capital	Surplus/ (deficit) on revaluation	Unappropriated Profit	Total
	-----Rupees in '000-----			
Balance as at January 01, 2019	933,811	(18,935)	238,712	1,153,588
Profit after taxation for the year ended December 31, 2019	-	-	71,830	71,830
Other comprehensive income				
Surplus on revaluation of available-for-sale securities - net of tax	-	1,645	-	1,645
Transactions with owners, recorded directly in equity				
Issue of bonus shares - note 16.5	93,381	-	(93,381)	-
Balance as at January 01, 2020	1,027,192	(17,290)	217,161	1,227,063
Profit after taxation for the year ended December 31, 2020	-	-	152,688	152,688
Other comprehensive income				
Surplus on revaluation of available-for-sale securities - net of tax	-	4,839	-	4,839
Transactions with owners, recorded directly in equity				
Issue of shares againsts cash - note 16.5	1,000,000	-	-	1,000,000
Issue of bonus shares - note 16.5	102,719	-	(102,719)	-
Closing balance as at December 31, 2020	2,129,911	(12,451)	267,130	2,384,590

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


 President and CEO


 Chief Financial Officer


 Director


 Director


 Director

THE BANK OF AZAD JAMMU AND KASHMIR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOW FROM OPERATING ACTIVITIES

	Note	2020 -----Rupees in '000-----	2019
Profit before taxation		257,826	125,401
Less: Dividend income		(9,934)	(8,107)
		247,892	117,294
Adjustments:			
Depreciation	9.2	52,820	56,269
Provision and write-offs		31,379	11,665
Interest expense on lease liability	20	16,034	14,919
Provision for gratuity		11,939	10,679
Provision for leave encashment		26,413	20,467
Provision for bonus		20,144	16,050
Gain on sale of fixed assets	22	(1,030)	(22)
		157,699	130,027
		405,591	247,321
(Increase)/decrease in operating assets			
Advances		(241,206)	(19,553)
Others assets (excluding advance taxation)		(77,210)	(140,357)
		(318,416)	(159,910)
Increase/(decrease) in operating liabilities			
Bills payable		46,266	1,566
Deposits		1,826,805	810,332
Other liabilities (excluding current taxation)		119,491	108,518
		1,992,562	920,416
		2,079,737	1,007,827
Interest paid on lease liability		(16,034)	(14,919)
Income tax paid		(75,047)	(64,436)
Net cash generated from operating activities		1,988,655	928,472

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities		-	-
Net investments in held-to-maturity securities		-	-
Net proceeds from placements with banks		5,921,844	(2,983,777)
Dividend income received		9,934	8,107
Investments in operating fixed assets		(16,392)	(13,589)
Proceeds from sale of fixed assets	9.4	1,030	22
Net cash generated from/(used in) investing activities		5,916,416	(2,989,237)

CASH FLOW FROM FINANCING ACTIVITIES

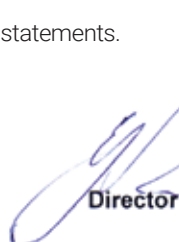
Issue of share capital		1,000,000	-
Principal paid against lease liability		(17,050)	(15,493)
Dividend paid		-	-
Net cash generated from/(used) in financing activities		982,950	(15,493)

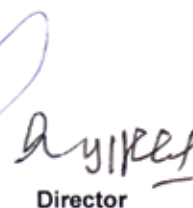
Increase/(decrease) in cash and cash equivalents		8,888,021	(2,076,258)
Cash and cash equivalents at beginning of the year		1,845,301	3,921,559
Cash and cash equivalents at end of the year	27	10,733,323	1,845,301

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


President and CEO


Chief Financial Officer


Director


Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

1 STATUS AND NATURE OF BUSINESS

The Bank of Azad Jammu and Kashmir (the Bank) is a public unlisted Bank which was incorporated in 2006 under the Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir and Behood Fund and Group Insurance - Government autonomous body own 100% percent of ordinary shares of the Bank as on December 31, 2020 in proportion of 94.7% and 5.3% (2019: 94% and 6%) respectively. The Bank has 70 branches (2019: 70 branches) in Azad Jammu and Kashmir.

1.1 Impact of COVID-19

"During the year, a novel strain of corona virus (COVID-19), that first surfaced in China and was classified as a pandemic by the World Health Organization on March 11, 2020. COVID-19 has affected millions of people, and has consequently had a significant impact on the global economy.

Despite the grave economic effects of COVID-19, the banking sector has largely remained unaffected from the pandemic situation. According to the Mid-Year Performance Review of the Banking Sector issued by the State Bank of Pakistan, the performance of the banking companies for the period January 2020 to June 2020 grew at a decent pace.

Till date, there is no impairment in the assets of the Bank induced by the pandemic, nor has the Bank faced any material financial difficulties as a result thereof. The Bank reported profits after tax of amounting to Rs. 153 million (2019: Rs. 71 million) during the current year. The management has carried out an assessment of the financial impact of COVID-19 on the carrying amount of the Company's assets, liabilities, incomes and expenses, and has concluded that there are no material implications of COVID-19 that require any other specific adjustments or disclosures in the financial statements."

2 BASIS OF PRESENTATION

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

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

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Act, its Bye-Laws and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as applicable for banking companies in Pakistan, Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Act and directive issued by the State Bank of Pakistan (SBP).

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

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

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

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective for the year ended December 31, 2020

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them.

	Effective from accounting period beginning on or after
- IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
- "Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)"	January 01, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - cost of fulfilling a contract	January 01, 2022
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

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

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 17 - Insurance Contracts

2.4 Use of critical accounting estimates and judgments

The preparation 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 (mentioned in respective notes) are as follow:

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

3 BASIS OF MEASUREMENT

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Investments

4.2.1 Classification

Investments are classified as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

4.2.2 Regular way contracts

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

4.2.3 Initial measurement

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

4.2.4 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

4.2.5 Impairment

Impairment loss if any in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged

decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

4.3 Advances

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

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

4.4 Fixed assets and depreciation

Capital work-in-progress

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

Tangible assets

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

Depreciation

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

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

4.5 Intangible assets

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

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

4.6.1 Right of-use assets

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

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

4.6.2 Lease liability against right-of-use assets

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

"The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease

liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

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

4.7 Impairment

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

4.8 Deposits

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

4.9 Taxation

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

Current

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

Deferred

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

4.10 Staff retirement benefits

Gratuity scheme

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

Provident fund

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

Leave encashment

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

4.11 Revenue recognition

Mark-up/interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up/interest on rescheduled/restructured advances and investments is recognized as permitted by the regulations of the SBP, except where in the opinion of

the management it would not be prudent to do so.

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

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

4.12 Government grant

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

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

4.13 Foreign currency transactions

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

4.14 Provisions

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

4.15 Off setting

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

4.16 Segment reporting

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

4.16.1 Business segment

Retail banking

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

Commercial banking

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

Payment and settlement

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

Agency service

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

4.16.2 Geographical segments

The Bank only operates in Azad Jammu and Kashmir.

4.17 Earning per share

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

	Note	2020 -----Rupees in '000-----	2019
5 CASH AND BALANCES WITH TREASURY BANKS			
In-hand			
Local currency		130,520	120,859
With National Bank of Pakistan in			
Local currency current account		32,358	25,232
Local currency deposit account	5.1	21,662	99,580
Local currency term deposit accounts	5.2	3,270,000	2,760,000
		3,324,020	2,884,812
Prize bonds		325	-
		3,454,865	3,005,671

5.1 This represents deposit accounts carrying markup rates ranging from 6% to 8% (2019:11.25% to 11.40%) per annum.

5.2 This represents term deposits carrying markup rates ranging from 6.7% to 12.4% (2019: 12.25% to 13.9%) per annum having maturities within three months.

		2020 -----Rupees in '000-----	2019
6 BALANCES WITH OTHER BANKS			
In Pakistan (Azad Jammu and Kashmir)		182,289	130,061
In current account	6.1 & 6.2	9,643,202	7,178,446
In deposit account		9,825,491	7,308,507

6.1 This include saving deposit accounts amounting Rs. 582,652 thousands (2019: Rs. 544,269 thousands) carrying mark-up rates ranging from 6% to 8% (2019: 11.25% to 11.40%) per annum.

6.2 This include term deposits carrying markup at rates ranging between 6.7% to 20% (2019: 7.6% to 20%) per annum. Term deposits have maturities ranging from 3 months to 5 years except a term deposit for an amount of Rs. 500 million placed with a bank maturing in 2029.

7 INVESTMENTS

7.1 Investments by type

2020				2019			
Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value

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

Available-for-sale securities

Units of open ended mutual funds - note 7.5	205,000	-	(19,155)	185,845	205,000	-	(26,599)	178,401
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Held-to-maturity securities

Term finance certificates-note 7.4	49,940	(49,940)	-	-	49,940	(49,940)	-	-
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Total Investments	254,940	(49,940)	(19,155)	185,845	254,940	(49,940)	(26,599)	178,401
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7.2 Investments by segments

2020				2019			
Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus/ (deficit)	Carrying value

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

Units of open ended mutual funds

Units of open ended mutual funds - note 7.5"	205,000	-	(19,155)	185,845	205,000	-	(26,599)	178,401
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Non Government debt

Securities

Unlisted

Term finance certificates	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total investments	254,940	(49,940)	(19,155)	185,845	254,940	(49,940)	(26,599)	178,401

7.3 Particulars of held to maturity investment

No. of certificates		Name of company	"Redeemable value per certificate (Rupees)"	2020	2019	Credit rating
2020	2019			Rupees in '000		
10,000	10,000	Pace Pakistan Limited	4.994	49,940	49,940	Un-rated

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

7.4 Particulars of provision for diminution in value of investments

7.4.1 Opening balance

Charge for the year

Closing balance

2020
-----Rupees in '000-----

49,940	49,940
-	-
49,940	49,940

7.4.2 Particulars of provision against debt securities
Category of classification

	2020		2019	
	Non performing Investments	Provision	Non performing Investments	Provision
-----Rupees in '000-----				
Domestic				
Loss	49,940	49,940	49,940	49,940

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

	2020				2019			
	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)
Units of open ended mutual funds								
National Investment Unit Trust Fund	1,313,081	100,000	91,167	69.43	1,313,081	100,000	83,381	63.50
NIT Government Bond Fund	3,184,047	30,000	31,865	10.01	3,184,047	30,000	33,537	10.53
NIT Islamic Equity Fund	4,329,197	50,000	39,179	9.05	4,329,197	50,000	37,490	8.66
MCB Dynamic Cash Fund	213,822	25,000	23,634	110.53	213,059	25,000	23,993	112.65
		205,000	185,845			205,000	178,401	

8 ADVANCES

	Performing		Non performing		Total	
	2020	2019	2020	2019	2020	2019
-----Rupees in '000-----						
Loans, cash credits, running finances, etc.	2,240,135	1,993,166	209,857	215,620	2,449,992	2,208,786
Advances - gross	2,240,135	1,993,166	209,857	215,620	2,449,992	2,208,786
Provision against advances						
- Specific	-	-	(147,620)	(130,093)	(147,620)	(130,093)
- General	(55,719)	(41,867)	-	-	(55,719)	(41,867)
	(55,719)	(41,867)	(147,620)	(130,093)	(203,339)	(171,960)
	2,184,416	1,951,299	62,237	85,527	2,246,653	2,036,826

	2020	2019
	-----Rupees in '000-----	
8.1 Particulars of advances (Gross)		
In local currency	2,449,992	2,208,786

8.2 Advances include Rs. 209,857 thousand (2019: 215,620 thousand) which have been placed under non-performing status as detailed below:-

Category of classification	2020		2019	
	Non performing loans	Provision	Non performing loans	Provision
-----Rupees in '000-----				
Domestic				
Other assets especially mentioned	748	-	4,986	-
Substandard	17,380	2,452	23,946	3,987
Doubtful	7,769	1,141	15,681	5,092
Loss	183,960	144,027	171,007	121,014
Total	209,857	147,620	215,620	130,093

8.3 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
Opening balance	130,093	41,867	171,960	112,203	48,092	160,295
Charge for the year	37,539	13,852	51,391	48,673	-	48,673
Reversals	(20,012)	-	(20,012)	(30,783)	(6,225)	(37,008)
	17,527	13,852	31,379	17,890	(6,225)	11,665
Closing balance	147,620	55,719	203,339	130,093	41,867	171,960

8.3.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
In local currency	147,620	55,719	203,339	130,093	41,867	171,960
	147,620	55,719	203,339	130,093	41,867	171,960

9 FIXED ASSETS

	Note	2020	2019
		-----Rupees in '000-----	
Capital work-in-progress	9.1	8,101	932
Property and equipment	9.2	221,925	237,949
		<u>230,026</u>	<u>238,881</u>

9.1 Capital work-in-progress

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

	2020	2019
	-----Rupees in '000-----	
Advances to supplier	<u>8,101</u>	<u>932</u>

9.2 Property and Equipment

2020								
Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Right of use asset	Total
-----Rupees in '000-----								

At January 1, 2020

Cost	40,400	14,407	53,679	78,503	28,538	34,722	30,130	151,366	431,745
Accumulated depreciation	-	(9,684)	(33,549)	(44,581)	(20,217)	(29,150)	(26,350)	(30,265)	(193,796)
Net book value	<u>40,400</u>	<u>4,723</u>	<u>20,130</u>	<u>33,922</u>	<u>8,321</u>	<u>5,572</u>	<u>3,780</u>	<u>121,101</u>	<u>237,949</u>

Year ended December 2020

Opening net book value	40,400	4,723	20,130	33,922	8,321	5,572	3,780	121,101	237,949
Additions	-	-	1,607	2,153	2,721	2,742	-	27,573	36,796
Disposals									
Cost	-	-	-	-	-	-	(1,525)	-	(1,525)
Accumulated depreciation	-	-	-	-	-	-	1,525	-	1,525
Depreciation charge	-	(1,420)	(6,915)	(7,580)	(3,065)	(2,714)	(2,077)	(29,049)	(52,820)
Closing net book value	<u>40,400</u>	<u>3,303</u>	<u>14,822</u>	<u>28,495</u>	<u>7,977</u>	<u>5,600</u>	<u>1,703</u>	<u>119,625</u>	<u>221,925</u>

At December 31, 2020

Cost	40,400	14,407	55,286	80,656	31,259	37,464	28,605	178,939	467,016
Accumulated depreciation	-	(11,104)	(40,464)	(52,161)	(23,282)	(31,864)	(26,902)	(59,314)	(245,091)
Net book value	<u>40,400</u>	<u>3,303</u>	<u>14,822</u>	<u>28,495</u>	<u>7,977</u>	<u>5,600</u>	<u>1,703</u>	<u>119,625</u>	<u>221,925</u>
Rate of depreciation (percentage)	-	10	20	10-20	20	20	20	6 - 33	

2019								
Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles	Right of use asset	Total

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

At January 1, 2019

Cost	40,400	14,407	48,889	74,523	25,001	33,218	30,130	136,622	403,190
Accumulated depreciation	-	(8,243)	(26,146)	(36,805)	(16,939)	(25,870)	(23,604)	-	(137,607)
Net book value	40,400	6,164	22,743	37,718	8,062	7,348	6,526	-	265,583

Year ended December 2019

Opening net book value	40,400	6,164	22,743	37,718	8,062	7,348	6,526	136,622	265,583
Additions	-	-	4,790	4,060	3,537	1,504	-	14,744	28,635
Disposals	-	-	-	-	-	-	-	-	-
Cost	-	-	-	(40)	-	-	-	-	(40)
Accumulated depreciation	-	-	-	40	-	-	-	-	40
Depreciation charge	-	(1,441)	(7,403)	(7,856)	(3,278)	(3,280)	(2,746)	(30,265)	(56,269)
Closing net book value	40,400	4,723	20,130	33,922	8,321	5,572	3,780	121,101	237,949

At December 31, 2019

Cost	40,400	14,407	53,679	78,503	28,538	34,722	30,130	151,366	431,745
Accumulated depreciation	-	(9,684)	(33,549)	(44,581)	(20,217)	(29,150)	(26,350)	(30,265)	(193,796)
Net book value	40,400	4,723	20,130	33,922	8,321	5,572	3,780	121,101	237,949
Rate of depreciation (percentage)	-	10	20	10-20	20	20	20	6 - 33	

9.2.1 Property and equipment includes cost of Rs. 5,485 thousand (2019: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2019: Rs. 5,485 thousand) in respect of assets donated by the Government of Azad Jammu and Kashmir.

9.3 The total cost of fixed assets of Rs. 289,642 thousand (2019 :Rs. 280,419 thousand) includes fixed assets of Rs. 92,912 thousand (2019: Rs. 77,514 thousand) having zero book value on which no depreciation was charged during the year.

9.4 Detail of disposals of operating fixed assets

	Cost	Accumulated depreciation	Book value	Sale proceeds
-----Rupees in '000-----				
2020				
Vehicles	1,525	1,525	-	1,030
2019				
Furniture and fixture	40	40	-	22

During the year, the Bank disposed off two vehicles through auction. The two vehicles, having registration number MD AB-138 and MD AA-186 were sold to the highest bidders Mr. Mir Muhammad Farooq S/O Muhammad Akbar.

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

	2020	2019
-----Rupees in '000-----		
Lease hold improvements	14,838	10,386
Furniture and fixtures	19,269	17,183
Office equipments	13,175	12,764
Computer equipments	24,593	20,155
Vehicles	21,037	17,026
	92,912	77,514

10 DEFERRED TAX ASSETS

- Deductible temporary differences on**
- Deficit on revaluation of investments
 - Provision against customer claims
 - Provision against receivable from Kashmir Council
 - Lease liabilities against right of use assets

- Taxable temporary differences on**
- Accelerated tax depreciation

2020			
At January 1st-2020	Recognised in P&L A/C	Recognised in OCI	At December 31st-2020
-----Rupees in '000-----			
9,310	-	(2,606)	6,704
3,101	-	-	3,101
1,685	-	-	1,685
-	46,519	-	46,519
14,096	46,519	(2,606)	58,009
(8,330)	39,932	-	31,602
-	-	-	-
(8,330)	39,932	-	31,602
22,426	6,587	(2,606)	26,407

2019

- Deductible temporary differences on
- Deficit on revaluation of investments
 - Accelerated tax depreciation

- Provision against receivable from Kashmir Council
- Provision against customer claims

At January 1 2020	Recognised in P&L A/C	Recognised in OCI	At December 31 2020
-----Rupees in '000-----			
10,196	-	(886)	9,310
5,738	2,592	-	8,330
15,934	2,592	(886)	17,640
1,685	-	-	1,685
3,311	(210)	-	3,102
20,930	2,382	(886)	22,426

11 OTHER ASSETS

- Income/mark-up accrued in local currency - net of provision
- Advances, deposits, advance rent and other prepayments
- Advance taxation
- Branch adjustment account
- Stationery and stamps in hand
- Others

- Less: Provision held against other assets
- Other assets (net of provision) - total

Note	2020	2019
-----Rupees in '000-----		
11.1, 11.2	840,757	752,590
	3,206	1,254
	-	2,706
	-	11,180
	3,526	1,926
	7,453	10,782
	854,942	780,438
11.3	(4,815)	(4,815)
	850,127	775,623

11.1 This includes an amount of Rs. Nil (2019: Rs. 1,520 thousand) on account of interest receivable from a related party.

11.2 This balance has been arrived at after adjusting interest in suspense account of Rs. 106,721 thousand (2019: Rs. 80,200 thousand).

	Note	2020 -----Rupees in '000-----	2019
11.3 Provision held against other assets			
Receivable from Kashmir Council	11.3.1	<u>4,815</u>	<u>4,815</u>
11.3.1 Movement in provision held against other assets			
Opening balance		<u>4,815</u>	<u>4,815</u>
Closing balance		<u>4,815</u>	<u>4,815</u>
12 BILLS PAYABLE			
In Pakistan		<u>67,414</u>	<u>21,148</u>

13 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	-----Rupees in '000-----					
Customers						
Current deposits	3,645,063	-	3,645,063	2,687,126	-	2,687,126
Savings deposits	6,821,386	-	6,821,386	5,934,385	-	5,934,385
Term deposits	2,950,163	-	2,950,163	3,190,638	-	3,190,638
Others	283,728	-	283,728	61,386	-	61,386
	<u>13,700,340</u>	<u>-</u>	<u>13,700,340</u>	<u>11,873,535</u>	<u>-</u>	<u>11,873,535</u>

	2020 -----Rupees in '000-----	2019
13.1 Composition of deposits		
- Individuals	7,978,416	7,206,928
- Government	5,439,545	4,542,797
- Private sector	282,379	123,810
	<u>13,700,340</u>	<u>11,873,535</u>

14 LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS

	2020 -----Rupees in '000-----	2019
Lease liabilities included in the statement of financial position	132,911	122,388
of which are:		
current lease liability	17,969	11,734
Non current lease liability	<u>114,942</u>	<u>110,654</u>
	<u>132,911</u>	<u>122,388</u>
Maturity analysis - contractual undiscounted cashflows		
Less than one year	33,572	26,224
One to five years	133,419	119,805
More than five years	21,000	39,268
Total undiscounted lease liabilities	<u>187,991</u>	<u>185,297</u>

15 OTHER LIABILITIES

Mark-up/return/interest payable in local currency - note 15.1	219,505	219,687
Accrued expenses	3,097	3,779
Income tax payable	33,971	-
Branch adjustment account	159,152	-
Provision for bonus to employees	20,000	16,264
Provision against customer claims	8,861	8,861
Leave encashment	50,814	40,800
Education	11,173	6,008
Others	27,586	26,802
	534,159	322,201

- 15.1** It includes an amount of Rs. 70,907 thousand (2019: Rs. 83,561 thousand) on account of interest payable to related parties (Government departments).

16 SHARE CAPITAL

16.1 Authorized capital

2020	2019		2020	2019
Number of shares			-----Rupees in '000-----	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

16.2 Issued, subscribed and paid up share capital

2020	2019		2020	2019
Number of shares		Ordinary shares	-----Rupees in '000-----	
131,794,261	31,794,261	Fully paid in cash	1,317,942	317,942
76,181,739	65,909,813	Issued as bonus shares	761,817	659,098
5,015,200	5,015,200	Issued for consideration other than cash	50,152	50,152
212,991,200	102,719,274		2,129,911	1,027,192

- 16.3** During the year the Government of Azad Jammu and Kashmir allocated an amount of Rs. 4,000,000 thousands to the Bank, out of which, the Bank has received an amount of Rs. 1,000,000 thousands till date as an equity injection. Accordingly, the Bank has issued 100 million shares of Rs. 10 each to the Government of Azad Jammu and Kashmir during the year.

- 16.4** The Government of Azad Jammu and Kashmir holds 96.6% (2019: 94%) of the ordinary shares and Benevolent Fund and Group Insurance holds 3.4% (2019: 6%) of the ordinary shares as at December 31, 2020.

16.5 Reconciliation of number of ordinary shares

	Note	2020	2019	2020	2019
		Number of shares		-----Rupees in '000-----	
Shares at the beginning of the year		102,719,274	93,381,161	1,027,192	933,811
Bonus shares issued during the year	16.6	10,271,926	9,338,113	102,719	93,381
Shares issued against cash consideration		100,000,000	-	1,000,000	-
Shares at the year end		212,991,200	102,719,274	2,129,911	1,027,192

16.6 During the year the bank has issued bonus shares 10,271,926 (2019: 9,338,113) amounting to Rs. 102,719 thousand (2019: 93,381 thousand) to its shareholders.

17 DEFICIT ON REVALUATION OF ASSETS

	Note	2020 -----Rupees in '000-----	2019
Deficit on revaluation of:			
- Available for sale securities	7.1	(19,155)	(26,600)
Deferred tax on deficit on revaluation of:			
- Available for sale securities		6,704	9,310
		<u>(12,451)</u>	<u>(17,290)</u>

18 CONTINGENCIES AND COMMITMENTS

Guarantees	18.1	49,622	36,076
Commitments	18.3	79,180	336,245
Bills for collection	18.4	14,601	9,564
		<u>143,403</u>	<u>381,885</u>

18.1 Guarantees

Financial guarantees	18.2	49,622	36,076
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18.2 It includes guarantee amounting to Rs. 10.7 million expired during the year which was cancelled subsequent to the year end after completion of cancellation formalities.

18.3 Commitments

Loan sanctioned but not disbursed		33,319	20,389
Unavailed running finance		45,861	315,856
		<u>79,180</u>	<u>336,245</u>

18.4 Bills for collection	18.4.1	14,601	9,564
----------------------------------	--------	--------	-------

18.4.1 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 MARK-UP/RETURN/INTEREST EARNED

	Note	2020 -----Rupees in '000-----	2019
On:			
a) Loans and advances	19.1	276,674	282,373
b) Balances with banks		1,234,872	997,082
		<u>1,511,546</u>	<u>1,279,455</u>

19.1 This includes an amount of Rs. 2,330 (2019: Rs.20,831 thousand) on account of interest earned on advance given to a related party (Government department).

20 MARK-UP/RETURN/INTEREST EXPENSED

	Note	2020 -----Rupees in '000-----	2019
On:			
Deposits	20.1	721,219	687,800
Lease liability		16,034	14,919
		<u>737,253</u>	<u>702,719</u>

20.1 This includes an amount of Rs. 205,873 thousand (2019: Rs. 139,411 thousand) on account of interest expense on related party deposits. (Government departments).

21 FEE AND COMMISSION INCOME

	2020	2019
	-----Rupees in '000-----	
Branch banking customer fees	2,176	1,771
Commission on cheque books	4,026	3,714
Credit related fees	5,540	4,456
Commission on guarantees	831	659
Commission on remittances	794	435
Commission on utility bills	4,607	4,672
Postage	506	417
Others	188	110
	18,668	16,234

22 OTHER INCOME

	Note	2020	2019
		-----Rupees in '000-----	
Gain on sale of fixed assets		1,030	22
Site visits and fee collection charges		4,666	3,029
		5,696	3,051

23 OPERATING EXPENSES

		2020	2019
		-----Rupees in '000-----	
Total compensation expense	23.1	321,490	285,122
Property expense			
Rent & taxes		385	523
Insurance		1,170	1,151
Utilities cost		17,895	17,952
Security (including guards)		29,911	23,853
Repair & maintenance (including janitorial charges)		8,907	6,112
Depreciation on right of use asset		29,049	30,265
Depreciation		7,952	8,337
		95,269	88,193
Information technology expenses			
Software maintenance		13,857	12,191
Hardware maintenance		2,031	1,595
Depreciation		5,797	6,501
Network charges		6,185	5,288
		27,870	25,575

Other operating expenses

Directors' fees and allowances	3,858	2,172
Legal & professional charges	399	1,358
Travelling & conveyance	6,078	8,059
Depreciation	10,022	11,135
Entertainment	9,005	8,344
Training & development	342	1,905
Postage & courier charges	3,522	3,163
Communication	3,579	3,865
Stationery & printing	11,198	7,807
Marketing, advertisement & publicity	1,324	735
Auditors remuneration	2,178	2,178
Others	23,252	20,450
	74,757	71,171
	519,386	470,061

23.2

23.1 Total compensation expense

	2020	2019
	-----Rupees in '000-----	
Fees and allowances etc.	159,262	143,352
Managerial remuneration		
i) Fixed	-	4,693
ii) Variable - cash bonus	25,386	17,263
Contribution to defined contribution plan	6,304	5,175
Contribution to defined gratuity fund	11,939	10,679
Rent & house maintenance	52,082	46,167
Utilities	11,543	10,089
Medical	14,487	11,505
Conveyance	40,487	36,199
	321,490	285,122

23.2 Auditors' remuneration

	2020	2019
	-----Rupees in '000-----	
Audit fee	1,980	1,980
Out-of-pocket expenses	198	198
	2,178	2,178

24 PROVISIONS AND WRITE OFFS - NET

Charge of provisions against loans & advances - net	31,379	11,665
Insurance claims received	-	(3,000)
	31,379	8,665

25 TAXATION

Current	111,725	55,954
Deferred	(6,587)	(2,382)
	105,138	53,572

25.1 Relationship between tax expense and accounting profit

	%	2020 Rupees in '000	%	2019 Rupees in '000
Profit before taxation		257,826		125,401
Applicable tax rate/expense	35%	90,239	35%	43,890
Super tax	4%	11,459	4.6%	5,739
Expense not allowed	0.0%	-	3.1%	3,943
Actual tax rate/expense	39%	101,698	43%	53,572
Total tax charge as per financial statements		105,138		53,572

26 BASIC AND DILUTED EARNINGS PER SHARE

	2020 -----Rupees in '000-----	2019
Profit for the year	152,688	71,830
	2020	2019
		Restated
Weighted average number of ordinary shares (Number)	119,840,502	112,991,187
Basic and diluted earnings per share (Rupees)	1.27	0.64

27 CASH AND CASH EQUIVALENTS

	2020 -----Rupees in '000-----	2019
Cash and balance with treasury banks	3,454,865	245,671
Balance with other banks	7,278,458	1,599,630
	10,733,323	1,845,301

28 STAFF STRENGTH

	2020 -----Number-----	2019
Permanent	266	214
On bank contract	149	173
Bank's own staff strength at the end of the year	415	387
Outsourced	133	152
Total staff strength at the end of the year	548	539

29 STAFF RETIREMENT BENEFITS**29.1 Gratuity**

The Bank contributed Rs. 11,939 thousand (2019: Rs. 10,679 thousand) for 281 (2019: 222) of its permanent employees during the year towards employees gratuity fund.

29.2 Provident fund

The Bank contributed Rs. 6,304 thousand (2019: Rs. 5,175 thousand) in respect of 273 (2019: 214) of its employees during the year towards employees contributory provident fund.

30 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

30.1 Total compensation expense

Item	Directors		President	Key management personnel
	Chairman	Non-Executives		
-----Rupees in '000-----				
Fees and Allowances etc.				
Managerial Remuneration				
i) Fixed	200	3,045	5,207	13,307
ii) Variable (bonus)	-	-	14	1,974
Contribution to defined contribution provident fund	-	-	-	1,280
Contribution to defined contribution gratuity fund	-	-	441	1,271
Rent & house maintenance	-	-	1,212	5,988
Utilities	-	-	236	1,331
Medical	-	-	105	1,331
Conveyance	-	-	-	2,925
Vehicle	-	-	-	-
Boarding & loading	-	-	-	-
Others (mobile charges, TA & DA)	-	613	809	2,226
Total	200	3,658	8,024	31,633
Number of Persons	1	7	1	9

Item	2019			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	-----Rupees in '000-----			
Fees and Allowances etc.	-	-	-	-
Managerial Remuneration				
i) Fixed	175	1,780	3,869	14,524
ii) Variable (Bonus)	-	-	711	1,974
Contribution to defined contribution provident fund	-	-	-	545
Contribution to defined contribution gratuity fund	-	-	355	545
Rent & house maintenance	-	-	1,546	5,996
Utilities	-	-	176	1,332
Medical	-	-	110	1,332
Conveyance	-	-	930	2,130
Vehicle	-	-	-	3,532
Boarding & loading	-	-	85	-
Others (mobile charges, TA & DA)	-	217	809	1,057
Total	175	1,997	8,591	32,967
Number of Persons	1	7	1	9

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

2020

Name of director	Meeting fees and allowances paid					
	For board meetings	For board committees				
		Board executive committee	Board audit committee	Board IT committee	Special committee	Total amount paid
	----- Rupees in '000' -----					
1 Dr. Shahzad Khan Bangash	75	-	-	-	-	75
2 Mather Niaz Rana	125	-	-	-	-	125
3 Asmatullah Shah	200	200	175	25	75	675
4 Ejaz Hussain Rathore	200	-	175	50	150	575
5 Naveed Sadiq	200	-		-		200
6 Raja Mumtaz Ali	200	50	175	-	75	500
7 Fayyaz Ali Abbasi	200	-	175	-	-	375
8 Muhammed Ahsen	175	175	-	75	-	425
9 Syed Zahoor ul Hassan Gillani	200	-	-	50	-	250
Total amount paid	1,575	425	700	200	300	3,200

2019

Name of director	Meeting fees and allowances paid					
	For board meetings	For board committees				
		Board executive committee	Board audit committee	Board IT committee	Special committee	Total amount paid
-----Rupees in '000'-----						
1 Mather Niaz Rana	175	-	-	-	-	175
2 Abid Awan	125	25	-	75	-	225
3 Fayyaz Ali Abbasi	175	-	100	-	-	275
4 Ejaz Hussain Rathore	175	-	100	75	-	350
5 Syed Zahoor ul Hassan Gillani	25	-	-	-	-	25
6 Dr Shehla Waqar	50	-	-	50	-	100
7 Farid Ahmad Tarar	200	50	100	-	-	350
8 Raja Mumtaz Ali	100	-	75	-	-	175
9 Naveed Sadiq	175	-	-	-	-	175
10 Muhammed Ahsen	25	25	-	-	-	50
Total amount paid	1,225	100	375	200		1,900

31 FAIR VALUE MEASUREMENTS

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

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

31.1 Fair value of financial assets

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

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

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

	2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- Rupees in '000' -----			
Financial assets - measured at fair value				
Investments				
Mutual funds	185,845	-	-	185,845
	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- Rupees in '000' -----			
Financial assets - measured at fair value				
Investments				
Mutual funds	178,401	-	-	178,401

32 SEGMENT INFORMATION

32.1 Segment details with respect to Business Activities

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

	2020				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Profit and loss	----- Rupees in '000' -----				
Net mark-up/return/profit	228,253	546,040	-	-	774,293
Non mark-up/return/interest income	1,159	14,447	14,047	4,645	34,298
Total income	229,412	560,487	14,047	4,645	808,591
Segment direct expenses	(77,080)	(436,025)	(4,720)	(1,561)	(519,386)
Total expenses	(77,080)	(436,025)	(4,720)	(1,561)	(519,386)
Provisions charged/(reversal)	(25,835)	(5,544)	-	-	(31,379)
Profit before tax	126,497	118,918	9,327	3,084	257,826

Statement of financial position	2020				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000'				
Cash & bank balances	-	13,280,356	-	-	13,280,356
Investments	-	185,845	-	-	185,845
Advances - performing	1,844,384	395,751	-	-	2,240,135
Advances - non-performing	172,783	37,074	-	-	209,857
Advances - provision	(167,416)	(35,923)	-	-	(203,339)
Operating fixed assets	34,137	193,107	2,090	691	230,026
Deferred tax asset	3,919	22,169	240	79	26,407
Others	693,616	156,398	85	28	850,127
Total assets	2,581,423	14,234,777	2,415	798	16,819,414
Bills payable	-	67,414	-	-	67,414
Deposits and other accounts	-	13,700,340	-	-	13,700,340
Lease liability against right of use asset	19,725	111,579	1,208	399	132,911
Others	24,878	348,660	160,614	7	534,159
Total liabilities	44,603	14,227,993	161,822	406	14,434,824
Equity	2,536,820	6,784	(159,407)	393	2,384,590
Total equity and liabilities	2,581,423	14,234,777	2,415	799	16,819,414
Contingencies and commitments	32,319	96,483	14,601	-	143,403

Profit and loss	2019				
	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
	Rupees in '000'				
Net mark-up/return/profit	209,486	367,250	-	-	576,736
Non mark-up/return/interest income	84	11,063	11,565	4,680	27,392
Total Income	209,570	378,313	11,565	4,680	604,128
Segment direct expenses	(75,420)	(388,796)	(4,162)	(1,684)	(470,061)
Inter segment expense allocation	-	-	-	-	-
Total expenses	(75,420)	(388,796)	(4,162)	(1,684)	(470,061)
Provisions charged/(reversal)	110	(8,775)	-	-	(8,665)
Profit before tax	134,260	(19,258)	7,403	2,996	125,402

Statement of financial position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
----- Rupees in '000' -----					
Cash & bank balances	-	10,314,178	-	-	10,314,178
Investments	-	178,401	-	-	178,401
Advances - performing	1,488,570	504,596	-	-	1,993,166
Advances - non-performing	69,460	146,161	-	-	215,621
Advances - provision	(97,784)	(74,175)	-	-	(171,959)
Operating fixed assets	36,830	199,196	2,031	822	238,880
Deferred tax asset	-	22,426	-	-	22,426
Others	3,038	772,350	168	69	775,624
Total assets	1,500,114	12,063,131	2,199	891	13,566,335
Bills payable	-	21,148	-	-	21,148
Deposits and other accounts	-	11,873,535	-	-	11,873,535
Lease liability against right of use asset	-	122,388	-	-	122,388
Others	11,346	310,480	368	6	322,201
Total liabilities	11,346	12,327,551	368	6	12,339,272
Equity	1,488,768	(264,421)	1,831	885	1,227,063
Total Equity and liabilities	1,500,114	12,063,131	2,199	891	13,566,335
Contingencies and Commitments	13,390	358,931	9,564	-	381,885

33 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

34 RELATED PARTY TRANSACTIONS

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

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

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

	2020		2019	
	Government of Azad Jammu & Kashmir and its related department	Key management personnel	Government of Azad Jammu & Kashmir and its related department	Key management personnel
	----- Rupees in '000' -----			
Advances				
Opening balance	210,992	39,176	259,972	45,707
Repaid during the year	(210,992)	(6,673)	(48,980)	(6,531)
Closing balance	-	32,503	210,992	39,176
Other Assets				
Interest/mark-up accrued	-	-	1,520	-
Deposits and other accounts				
Opening balance	4,542,797	9,301	5,068,975	10,840
Received/Withdrawal during the year	896,748	(8,638)	(526,178)	(1,539)
Closing balance	5,439,545	663	4,542,797	9,301
Other Liabilities				
Interest/mark-up payable	70,907	-	83,561	284
Contingencies and Commitments				
Unavailed running finance	-	-	289,008	-
Transactions during the year				
Income				
Mark-up/return/interest earned	2,330	1,443	20,831	2,175
Expense				
Mark-up/return/interest paid	205,873	23	139,411	241

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2020	2019
	-----Rupees in '000'-----	
Minimum capital requirement (MCR)		
Paid-up capital (net of losses)	10,000,000	10,000,000
Capital adequacy ratio (CAR)		
Eligible common equity tier 1 (CET 1) capital	2,397,041	1,244,352
Eligible additional tier 1 (ADT 1) capital	-	-
Total regulatory adjustment applied to CET1	(12,451)	(17,289)
Total eligible Tier 1 capital	2,384,590	1,227,063
Eligible tier 2 capital	55,719	41,867
Total eligible capital (Tier 1 + Tier 2)	2,440,309	1,268,930
Risk weighted assets (RWAs):		
Credit risk	6,234,069	4,930,823
Market risk	371,690	356,802
Operational risk	1,227,059	1,062,033
Total	7,832,818	6,349,658

	2020	2019
	-----Rupees in '000-----	
Common equity tier 1 capital adequacy ratio	30.60%	19.60%
Tier 1 capital adequacy ratio	30.44%	19.32%
Total capital adequacy ratio	31.15%	19.98%
Leverage ratio (LR)		
Eligible tier-1 capital	2,384,590	1,227,063
Total exposures	16,962,817	13,948,220
Leverage ratio	14%	9%
Liquidity coverage ratio (LCR)		
Total high quality liquid assets	13,280,356	10,314,178
Total net cash outflow	3,948,564	2,950,470
Liquidity coverage ratio	336%	350%
Net stable funding ratio (NSFR)		
Total available stable funding	9,819,306	10,658,463
Total required stable funding	7,749,991	6,585,866
Net stable funding ratio	127%	162%

36 RISK MANAGEMENT

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

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

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

36.1 Credit Risk

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

36.1.1 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000' -----					
Government bonds	-	-	-	-	-	-
Construction- TFC	49,940	49,940	49,940	49,940	49,940	49,940
	49,940	49,940	49,940	49,940	49,940	49,940

Credit risk by public/private sector

Public	-	-	-	-	-	-
Private	49,940	49,940	49,940	49,940	49,940	49,940
	49,940	49,940	49,940	49,940	49,940	49,940

36.1.2 Advances**Credit risk by industry sector**

	Gross investments		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					
Agriculture, Forestry, Hunting and Fishing	71,149	98,217	63,564	70,249	50,882	42,165
Wholesale and Retail Trade	294,589	383,288	62,177	92,778	22,094	46,553
Individuals	2,026,263	1,516,289	51,922	52,593	43,487	41,375
Others	57,991	210,992	32,267	-	31,157	-
	2,449,992	2,208,786	209,930	215,620	147,620	130,093

Credit risk by public/private sector

Public/Government	-	210,992	-	-	-	-
Private	2,449,992	1,997,794	209,930	215,620	147,620	130,093
	2,449,992	2,208,786	209,930	215,620	147,620	130,093

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

	2020	2019
	Rupees in '000'	
Wholesale and Retail Trade	46,861	53,137
Individuals	32,319	39,740
Others	49,622	289,008
	128,802	381,885

Credit risk by public/private sector

Public/Government	49,622	289,008
Private	79,180	92,877
	128,802	381,885

36.1.4 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 227,015 thousand (2019: Rs. 437,066 thousand) are as following:

	2020	2019
	Rupees in '000'	
Funded	177,393	400,990
Non funded	49,622	36,076
Total exposure	227,015	437,066

The sanctioned limits against these top 10 exposures aggregated to Rs 203,500 thousand (2019: Rs. 695,000 thousand)

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	52,448	14,461	52,448	10,442
Total	52,448	14,461	52,448	10,442

36.1.5 Advances - Province/Region-wise Disbursement & Utilization

Total amount of disbursement and utilization is in Azad Jammu and Kashmir of Rs. 2,686,163 thousands (2019: 1,443,654 thousands)

36.2 Market Risk

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

36.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading	Total	Banking book	Trading	Total
-----Rupees in '000-----						
Cash and balances with treasury banks	3,454,865	-	3,454,865	3,005,671	-	3,005,671
Balances with other banks	9,825,491	-	9,825,491	7,308,507	-	7,308,507
Investments	-	185,845	185,845	-	178,401	178,401
Advances	2,246,653	-	2,246,653	2,036,826	-	2,036,826
Fixed assets	230,026	-	230,026	238,881	-	238,881
Deferred tax assets	26,407	-	26,407	22,426	-	22,426
Other assets	850,127	-	850,127	775,623	-	775,623
	16,633,569	185,845	16,819,414	13,387,934	178,401	13,566,335

36.2.2 Foreign exchange risk

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

36.2.3 Equity position Risk

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

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

	2020		2019	
	Banking	Trading	Banking	Trading book
-----Rupees in '000-----				
Impact of 5% change in equity prices on				
- Other comprehensive income	-	9,292	-	8,920

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

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

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

- The nature of IRRBB and key assumptions, including assumptions regarding loan repayments and behavior of non-maturity deposits, and frequency of IRRBB

- The increase (decline) in earnings or economic value (or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and than translated into Rupees)

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	-----Rupees in '000-----			
Impact of 1% change in interest rates on				
- Profit and loss account	(8,143)	-	(5,525)	-
- Other comprehensive income		(1,858)		(1,784)

36.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	Effective Yield/ Interest rate	Total	2020										Non-interest bearing financial instruments	
			Rupees in '000											
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	9.55%	3,454,865	2,041,987	1,250,000	-	-	-	-	-	-	-	-	-	162,878
Balances with other banks	9.55%	9,825,491	2,124,815	5,062,499	1,401,461	254,428	-	-	300,000	500,000	-	-	-	182,289
Investments	5.35%	185,845	-	-	-	-	-	-	-	-	-	-	-	185,845
Advances	12.31%	2,246,653	433,039	45,814	77,079	222,096	174,757	207,089	1,075,032	11,747	-	-	-	-
Other assets		846,921	-	-	-	-	-	-	-	-	-	-	-	846,921
		16,559,775	4,599,841	6,358,313	1,478,540	476,524	174,757	207,089	1,375,032	511,747	-	-	-	1,377,933
Liabilities														
Bills payable		67,414	-	-	-	-	-	-	-	-	-	-	-	67,414
Deposits and other accounts liability against right of use asset	5.26%	13,700,340	2,117,922	2,244,616	2,452,816	3,895,886	42,720	53,858	211,226	-	-	-	-	2,681,296
Other liabilities		132,911	1,515	1,542	4,712	9,783	19,034	19,546	29,930	46,849	-	-	-	-
		534,159	-	-	-	-	-	-	-	-	-	-	-	534,159
		14,434,824	2,119,437	2,246,158	2,457,528	3,905,669	61,754	73,404	241,156	46,849	-	-	-	3,282,869
On-balance sheet gap		2,124,951	2,480,404	4,112,155	(978,988)	(3,429,145)	113,003	133,685	1,133,876	464,898	-	-	-	(1,904,936)
Off-balance sheet financial instruments														
Commitments to extend credit		79,180	79,180	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		79,180	79,180	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		2,401,224	4,112,155	(978,988)	(3,429,145)	113,003	133,685	1,133,876	464,898	-	-	-	-	(1,904,936)
Cumulative Yield/Interest Risk Sensitivity Gap		2,401,224	6,513,379	5,534,390	2,105,245	2,218,248	2,351,933	3,485,809	3,950,707	3,950,707	-	-	-	(1,904,936)
2019														
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments	
			Rupees in '000											
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	9.10%	3,005,671	124,812	-	250,000	2,510,000	-	-	-	-	-	-	-	120,859
Balances with other banks	10.26%	7,308,507	741,454	792,785	1,666,090	2,828,118	350,000	-	300,000	500,000	-	-	-	130,061
Investments	4.61%	178,401	-	-	-	-	-	-	-	-	-	-	-	178,401
Advances	13.0%	2,036,826	448,509	52,272	105,911	255,042	183,925	287,308	689,878	13,981	-	-	-	-
Other assets		774,369	-	-	-	-	-	-	-	-	-	-	-	774,369
		13,303,774	1,314,775	845,057	2,022,001	5,593,160	533,925	287,308	989,878	513,981	-	-	-	1,203,690
Liabilities														
Bills payable		21,148	-	-	-	-	-	-	-	-	-	-	-	21,148
Deposits and other accounts liability against right of use asset	6.25%	11,873,535	1,511,174	2,606,039	3,291,638	1,577,765	79,669	84,200	41,254	500	-	-	-	2,681,296
Other liabilities		122,388	-	-	-	-	-	-	122,388	-	-	-	-	-
		322,201	-	-	-	-	-	-	-	-	-	-	-	322,201
		12,339,272	1,511,174	2,606,039	3,291,638	1,577,765	79,669	84,200	163,642	500	-	-	-	3,024,645
On-balance sheet gap		964,501	(196,399)	(1,760,982)	(1,269,637)	4,015,395	454,256	203,108	826,236	513,481	-	-	-	(1,820,956)
Off-balance sheet financial instruments														
Commitments to extend credit		336,245	336,245	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(532,644)	(1,760,982)	(1,269,637)	4,015,395	454,256	203,108	826,236	513,481	513,481	-	-	-	(1,820,956)
Cumulative Yield/Interest Risk Sensitivity Gap		(532,644)	(2,293,627)	(3,563,264)	452,131	906,387	1,109,495	1,935,731	2,449,212	2,449,212	-	-	-	(1,820,956)

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

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

	2020	2019
	-----Rupees in '000-----	
Reconciliation of total assets		
Total financial assets	16,559,775	13,303,774
Add: Non financial assets		
Operating fixed assets	230,026	238,881
Other assets	3,206	1,254
Deferred tax asset	26,407	22,426
	259,639	262,561
	<u>16,819,414</u>	<u>13,566,335</u>
Reconciliation of total liabilities		
Total financial liabilities		
Add: Non financial liabilities	14,434,824	12,339,272
Deferred tax liabilities	-	-
Deferred govt. grant	-	-
Balance as per balance sheet	-	-
	<u>14,434,824</u>	<u>12,339,272</u>

36.3 Operational Risk

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

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

36.3.1 Operational Risk-Disclosures Basel II Specific

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

36.4 Liquidity Risk

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

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

		2020													
		Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
		-----Rupees in '000-----													
Assets															
Cash and balances with treasury banks	3,454,865	71,124	497,873	497,873	497,873	1,137,995	625,000	625,000	-	-	-	-	-	-	-
Balances with other banks	9,825,491	70,012	490,088	490,086	490,086	1,120,200	2,554,036	2,554,036	1,447,033	150,000	150,000	-	-	300,000	500,000
Investments	185,845	-	-	-	-	-	-	-	-	92,922	92,923	-	-	-	-
Advances	2,246,653	13,969	97,783	97,783	97,783	223,504	22,907	22,907	77,079	111,048	111,048	174,757	207,089	1,075,032	11,747
Fixed assets	230,026	3,885	27,197	27,197	27,197	62,164	4,869	4,869	3,272	2,453	2,454	9,815	9,815	19,027	53,009
Deferred tax assets	26,407	446	3,122	3,122	3,122	7,137	559	557	376	282	282	1,127	1,127	2,184	6,086
Other assets	850,127	3,826	26,789	26,789	26,789	61,233	51,367	51,367	90,760	1,017	1,017	-	-	412,400	123,562
	16,819,414	163,262	1,142,852	1,142,850	1,142,850	2,612,233	3,258,738	3,258,736	1,618,520	357,722	357,724	185,699	218,031	1,808,643	694,404
Liabilities															
Bills payable	67,414	-	-	-	-	-	33,707	33,707	-	-	-	-	-	-	-
Deposits and other accounts	13,700,340	89,943	629,604	629,604	629,604	1,439,095	1,457,470	1,457,470	3,123,140	2,283,105	2,283,105	42,720	53,858	211,226	-
Liability against right of use asset	132,911	49	342	342	342	782	771	771	4,712	4,892	4,892	19,034	19,546	29,930	46,849
Other liabilities	534,159	7,111	49,777	49,777	49,777	113,775	35,022	35,022	67,462	52,479	52,479	5,655	5,299	9,487	50,814
	14,434,824	97,103	679,723	679,723	679,723	1,553,652	1,526,970	1,526,970	3,195,314	2,340,476	2,340,476	67,409	78,703	250,643	97,663
Net assets	2,384,590	66,159	463,129	463,127	463,127	1,058,581	1,731,768	1,731,766	(1,576,794)	(1,982,754)	(1,982,752)	118,290	139,328	1,558,000	596,741
Share capital		2,129,911													
Reserves		-													
Unappropriated profit		267,130													
Deficit on revaluation of assets		(12,451)													
	2,384,590														

2019

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	Rupees in '000													
Assets														
Cash and balances with treasury banks	3,005,671	7,925	55,475	55,474	126,797	-	-	250,000	1,255,000	1,255,000	-	-	-	-
Balances with other banks	7,308,507	24,967	174,767	174,767	399,467	412,650	412,650	1,698,605	1,430,317	1,430,317	350,000	-	300,000	500,000
Investments	178,401	-	-	-	-	-	-	-	89,200	89,201	-	-	-	-
Advances	2,036,826	14,468	101,276	101,276	231,489	26,136	26,136	105,911	127,521	127,521	183,925	287,308	689,878	13,981
Fixed assets	238,881	33	233	233	532	1,030	1,030	5,051	4,120	4,120	16,481	20,601	132,063	53,354
Deferred tax assets	22,426	-	-	-	-	-	-	-	11,213	11,213	-	-	-	-
Other assets	775,623	6,593	46,153	46,153	105,494	21,588	21,588	79,286	97,798	97,799	2,038	-	227,845	23,288
	13,566,335	53,986	377,904	377,903	863,779	461,404	461,404	2,138,853	3,015,169	3,015,171	552,444	307,909	1,349,786	590,623
Liabilities														
Bills payable	21,148	-	-	-	-	10,574	10,574	-	-	-	-	-	-	-
Deposits and other accounts	11,873,535	70,371	492,596	492,596	1,125,934	1,638,182	1,638,182	3,961,961	1,124,045	1,124,045	79,669	84,200	41,254	500
Liability against right of use asset	122,388	-	-	-	-	-	-	-	-	-	-	-	122,388	-
Other liabilities	322,201	6,490	45,428	45,428	103,836	22,224	22,224	15,517	10,127	10,127	-	-	-	40,800
	12,339,272	76,861	538,024	538,024	1,229,770	1,670,980	1,670,980	3,977,478	1,134,172	1,134,172	79,669	84,200	163,642	41,300
Net assets	1,227,063	(22,875)	(160,120)	(160,121)	(365,991)	(1,209,576)	(1,209,576)	(1,838,625)	1,880,997	1,880,999	472,775	223,709	1,186,144	549,323

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

2020											
Rupees in '000											
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		
Assets											
Cash and balances with treasury banks	3,454,865	2,204,865	1,250,000	-	-	-	-	-	-	-	-
Balances with other banks	9,825,491	2,170,387	5,108,071	1,447,033	300,000	-	300,000	500,000	-	-	-
Investments	185,845	-	-	-	185,845	-	-	-	-	-	-
Advances	2,246,653	433,039	45,814	77,079	222,096	174,757	1,075,032	11,747	-	-	-
Fixed assets	230,026	120,443	9,737	3,272	4,908	9,815	19,027	12,609	40,400	-	-
Deferred tax assets	26,407	13,827	1,117	376	563	1,127	2,184	1,448	4,638	-	-
Other assets	850,127	118,639	102,733	90,760	2,033	-	412,400	123,562	-	-	-
	16,819,414	5,061,200	6,517,472	1,618,520	715,445	185,699	218,031	1,808,643	649,366	45,038	-
Liabilities											
Bills payable	67,414	-	67,414	-	-	-	-	-	-	-	-
Deposits and other accounts	13,700,340	2,788,246	2,914,940	3,123,140	4,566,210	42,720	53,858	211,226	-	-	-
Lease liability against right of use asset	132,911	1,515	1,542	4,712	9,783	19,034	19,546	29,930	46,849	-	-
Other liabilities	534,159	220,440	70,043	67,462	104,957	5,655	9,489	-	-	50,814	-
	14,434,824	3,010,201	3,053,939	3,195,314	4,680,950	67,409	78,703	250,645	46,849	50,814	-
Net assets	2,384,590	2,050,999	3,463,533	(1,576,794)	(3,965,505)	118,290	139,328	1,557,998	602,517	(5,776)	-
2019											
Rupees in '000											
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		
Assets											
Cash and balances with treasury banks	3,005,671	245,671	-	250,000	2,510,000	-	-	-	-	-	-
Balances with other banks	7,308,507	773,969	825,300	1,698,605	2,860,633	350,000	-	500,000	-	-	-
Investments	178,401	-	-	-	178,401	-	-	-	-	-	-
Advances	2,036,826	448,509	52,272	105,911	255,042	183,925	287,308	689,878	13,981	-	-
Fixed assets	238,881	1,030	2,060	5,052	8,240	16,481	20,601	132,063	12,954	40,400	-
Deferred tax assets	22,426	-	-	-	22,426	-	-	-	-	-	-
Other assets	775,623	204,394	43,175	79,286	195,597	2,038	-	227,845	23,288	-	-
	13,566,335	1,673,573	922,807	2,138,854	6,030,339	552,444	307,909	1,349,786	550,223	40,400	-
Liabilities											
Bills payable	21,148	-	21,148	-	-	-	-	-	-	-	-
Deposits and other accounts	11,873,535	2,181,498	3,276,363	3,961,962	2,248,089	79,669	84,200	41,254	500	-	-
Lease liability against right of use asset	122,388	-	-	-	-	-	-	122,388	-	-	-
Other liabilities	322,201	201,181	44,448	15,517	20,254	-	-	-	-	40,800	-
	12,339,272	2,382,679	3,341,959	3,977,479	2,268,343	79,669	84,200	163,642	500	40,800	-
Net assets	1,227,063	(709,106)	(2,419,152)	(1,838,625)	3,761,996	472,775	223,709	1,186,144	549,723	(400)	-
Share capital	1,027,192	-	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	217,161	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	(17,290)	-	-	-	-	-	-	-	-	-	-
	1,227,063	-	-	-	-	-	-	-	-	-	-

37 EVENTS AFTER THE REPORTING DATE

- 37.1** The Board of Directors in its meeting held on **19 May 2021** has announced a bonus issue/cash dividend of **0%** percent (2019: bonus issue at the rate of 10%).

38 CORRESPONDING FIGURES

Changes have been made in corresponding figures under cash flow from operating activities in the cash flow statement for better presentation.

39 GENERAL

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

40 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Bank on 19 May 2021.



President and CEO Chief Financial Officer Director Director Director



Mr. Khawar Saeed, President/Chief Executive Officer of the Bank of Azad Jammu and Kashmir called on President State of AJK, Sardar Masood Khan

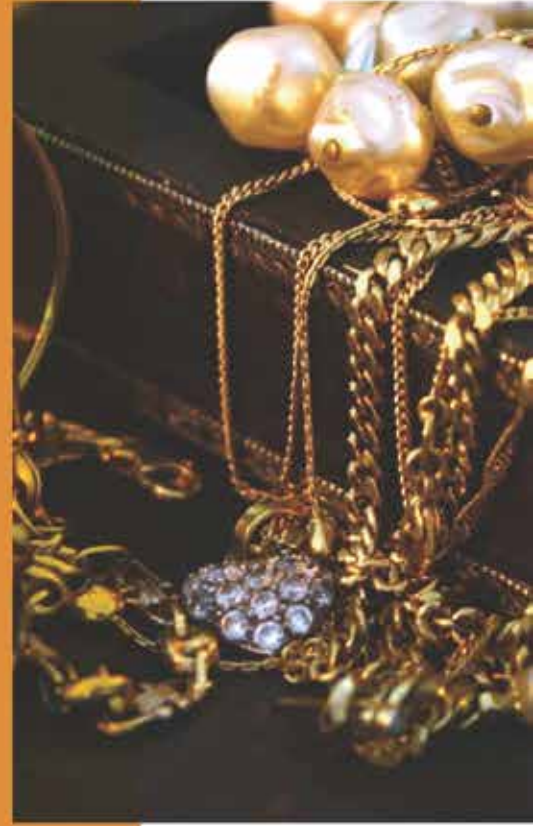


Mr. Khawar Saeed, President/Chief Executive Officer of the Bank of Azad Jammu and Kashmir called on Prime Minister Government of AJK, Raja Muhammad Farooq Haider Khan





BAJK GOLD LOAN



سونار کھوائیں کیش لے جائیں

سونابھی محفوظ ضرورتیں بھی پوری

اہم خصوصیات :

سب سے کم مارک اپ

آسان کاغذی کارروائی

کوئی پوشیدہ چارجز نہیں

کم سے کم آمدنی کی کوئی شرط نہیں

فوری منظوری

آسان شرائط پرواپسی

تعلیم، شادی اور دیگر گھریلو ضروریات کے لئے

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Madiha Bandy
Manager

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BAJK BRANCH LOCATIONS

Sr. #	Name of District	Number of Branches
1	Muzaffarabad	11
2	Mirpur	12
3	Kotli	16
4	Bagh	03
5	Poonch	08
6	Sadhnutti	05
7	Hattain	04
8	Neelum	05
9	Bhimber	05
10	Haveli	01



BRANCH NETWORK (TOGETHER WE REACH)

MUZAFFARABAD ZONE

Main Branch Muzaffarabad (0001)

Bank Square, Chattar, Muzaffarabad
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E-mail: cm0001@bankajk.com

Athmuqam Branch (0008)

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District Neelum, AJK
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Gari-Dupata Branch (0017)

Main Bazar Gari-Dupata,
Muzaffarabad, AJK
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FAX: 05822 922502
Cell: 03449543300
E-mail: manager0017@bankajk.com

Lower Plate Branch (0018)

Near City Hospital Lower Plate,
Muzaffarabad, AJK
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FAX: 05822 442664
Cell: 03129024194
E-mail: manager0018@bankajk.com

Chatter Klass Branch (0019)

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Muzaffarabad, AJK
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Chakar Branch (0022)

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FAX: 05822 922002
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Pathika Branch (0024)

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District Muzaffarabad, AJK
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FAX: 05822-922109
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Madina Market Branch (0028)

Madina Market, Muzaffarabad, AJK
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Cell: 03455313622
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Hattian Branch (0034)

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Chakothi Branch (0037)

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Cell: 03219715217
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District Complex Muzaffarabad Branch (0040)

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FAX: 05822-920043
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Sharda Branch (0043)

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Joora Branch (0052)

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Ladies Branch, Muzaffarabad (0053)

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Upper Adda Branch (0061)

Near Shah Anayat Darbar, Upper Adda Muzaffarabad
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Chathian Branch (0062)

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Kuttan Branch (0063)

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Gojra Bypass Branch (0067)

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Arja Branch (0011)

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Khai-gala Branch (0030)

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Main Bazar Kahutta, District Haveli, AJK
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Paniola Branch (0039)

Main Bazar Paniola, District Poonch, AJK
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Bloch Branch (0041)

Main Bazar Bloch, District Sadhnutti, AJK
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Talian Branch (0049)

Main Bazar Talian, District Sadhnutti, AJK
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Thorar Branch (0050)

Main Bazar Thorar, District Poonch, AJK
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FAX: 05824 921313
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CMH Road Branch (0056)

CMH Road, Rawalakot, AJK
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Banbehk Branch (0060)

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Mirpur F-3 Branch (0015)

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Khad-Gujran Branch (0031)

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

Charhoi Branch (0036)

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

Tatta-Pani Branch (0042)

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

Mi-Toti Branch (0044)

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

Dhanna Branch (0048)

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

Juna Branch (0051)

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

Seharmandi Branch (0055)

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

Jarahi Branch (0064)

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

Goi Branch (0065)

District Kotli, AJK
TEL: 0526-480649, Cell: 03465152126
E-mail: manager0065@bankajk.com

Lorry Adda Kotli Branch (0066)

Tehsil & District Kotli, AJK
TEL: 05826-920247, FAX: 05826-920248
Cell: 03062109440
E-mail: manager0066@bankajk.com



BAJK Personal Loan

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

Salient Features:

- Limit Up to 95% of the deposit with BAJK
- Limit up to 90% against Government Securities
- Limit up to 75% of Fixed Deposits with other Banks/NSCs/POs
- Loan for education, vacation, wedding expenses, settlement of bills and more
- Flexible repayment terms with tenure ranging from 1-3 years
- Installments as per your comfort
- Competitive Rates
- Fast Processing

NEW OUTLOOK



Chief Secretary AJK/Chairman BAJK Dr. Shahzad Khan Bangash, Secretary Finance Mr. Asmatullah Shah at Bank of AJK Head Office





BAJK MOTORCYCLE FINANCE

Salient Features:

Loan Limit	0.2 million
Tenure	Maximum 36 months
Repayment	Monthly Installments
Down Payment/Equity	20%
Insurance	Comprehensive Insurance of Motorcycle

Easy process and no hidden charges

INVESTMENT OPPORTUNITIES IN AJK

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

Azad Jammu and Kashmir is rich in water and mineral resources and nature has been generous in bestowing scenic beauty to this part of the world. Present regime of Azad Jammu And Kashmir has granted a number of incentives to the investors for promotion of Industrial activities in the State.

The State of Azad Jammu and Kashmir offers great opportunity to the investors, including five lac overseas Kashmiri nationals possessing dual nationality to invest in industrialization, Hydel power generation, Mineral exploitation, and Kashmiri Handicrafts and Tourism industry.

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

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





1. HYDROPOWER GENERATION

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



2) MINERAL RESOURCES

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

a) Exploitation Of Ruby Deposits Of Azad Kashmir

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

3) KASHMIRI HANDICRAFTS

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

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



- Raw-material – available
- Trained skilled force – available
- A relatively low marketing cost is involved in this business because Kashmiri crafts are known world-wide since centuries.
- Plots could be allotted to investors in the Industrial Estates.
- Technical advisory is available for project preparation & feasibility studies.

4) TOURISM

Azad Kashmir has great potential for development of tourism. Its numerous picturesque spots, dense forests, winding rivers, turbulent foaming streams, majestic towering mountains, flora & fauna, bracing climate and historical & cultural heritage all together make it an excellent tourist resort. Despite the tourism potential available in abundance, it could not be explored for a long time. It was mainly due to the absence of the infrastructure, paucity of funds and other problems of varied type. However, with the overall improvement of the conditions in the area, tourism also got some attention since 2008 and since then efforts are being made to develop and provide basic amenities for the tourists in Azad Kashmir.

The AJK Tourism Department initially confined its development activities to such areas which were linked with good roads and where some other basic infrastructure was available. However, with the gradual improvement of general infrastructure and in view of the growing requirements of the tourists the scope of the tourist activities was enlarged. The AJK Tourism Department since 1975 onwards has implemented various development projects with the main objective to develop reasonable accommodation facilities at places of tourist interest. With the result the AJK Tourism Department has established a network of Tourist Lodges throughout the State. In addition to these activities, emphasis was also laid to provide recreational and transport facilities to the tourists.

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

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



Azad Jammu & Kashmir has also great potential for promotion of adventure tourism particularly because of its topography, scenic beauty, location accessibility and close proximity to Islamabad. To tap this potential AJK Tourism Department has initially focused on White Water Rafting, Rock Climbing, Para Gliding, Hiking & Trekking, Mountaineering and camping. In this regard various events have been successfully launched with the technical and logistic support of Alpine Club of Pakistan (ACP), Adventure Foundation Pakistan (AFP) and Pakistan Association of Free Flying (PAFF).



5. Manufacturing

The State of AJK by virtue of its geography, weather & administrative setup provides huge opportunities of investment in various sectors. The Government has adopted the Industrial policy of Federal Govt. which entails that every industries is allowed to be established in the territory of AJK except arms & ammunition, security printing, explosive material and radioactive material.

In Mirpur industrial zone, there are a few large scale and sub-sector industries available including pharmaceutical, food and beverages etc. In this industrial zone around 30,000 people are employed. To uplift industrial sector in Azad Jammu Kashmir, the government decided to set up a new mega industrial zone in Mirpur. The new mega industrial zone is to be constructed near Moori village on Mirpur Jatlan Road for which the required land was being acquired by the government to materialize the plan.



A curved track of stage lights is positioned above a rectangular sign. Five spotlights are visible, each casting a beam of light onto the sign. The background is a dark, textured blue.

Year at a Glance



President/CEO Mr. Khawar Saeed presenting BAJK
Annual Report 2019/Progress Report 2020 to
Hon'ble President AJK Sardar Masood Khan



President/CEO Mr. Khawar Saeed
presenting souvenir to hon'ble
President AJK Sardar Masood Khan



President/CEO Mr. Khawar Saeed
with Prime Minister AJK
Raja Muhammad Farooq Haidar Khan

Board of Directors' Meetings



Chief Secretary AJK/Chairman BAJK Dr. Shahzad Khan Bangash presides over BOD meetings

BOD Executive Committee Meetings



Secretary Finance AJK/Director BAJK Mr. Asmatullah Shah presides over BOD Executive Committee meetings

BOD Audit Committee Meetings



Senior Member Board of Revenue AJK/Director BAJK Mr. Fayyaz Ali Abbasi presides over BOD Audit Committee meetings

BOD Information Technology Committee Meetings



Secretary Industries & Commerce AJK/Director BAJK Mr. Muhammad Ahsen presides over BOD I.T Committee meetings

Annual General Meeting (AGM)



Secretary Finance AJK/Director BAJK Mr. Asmatullah Shah presides over Annual General Meeting (AGM) of BAJK

Trainings and Workshops



MOUs



Signing ceremony with M/S KPMG Taseer Hadi & Co.



Signing ceremony with DataCheck Limited



MOU with Coded Minds, a global iSTEAM and leadership development education technology company



MOU with Jubilee Insurance Ltd.

Award Distribution Ceremony



Award Distribution Ceremony



President/CEO Mr. Khawar Saeed giving certificates/cash awards to the best performers



President/CEO Mr. Khawar Saeed meets with business community leaders



Dignitaries Account Opening in BAJK



President AJK Sardar Masood Khan opening his account with BAJK



Chief Secretary Dr. Shahzad Khan Bangash opening his account with BAJK



Anniversary Celebrations



Visits by President/CEO





Sports/CSR Activities



The background of the image is a dark blue, slightly blurred photograph of a person in a business suit. In the lower foreground, a hand is shown holding a bright, glowing white sphere. Overlaid on this scene is a network diagram consisting of a central dark blue circle containing the text 'CODE OF CONDUCT & BUSINESS PRACTICES'. Eight lines radiate from this central circle to eight smaller, light blue circles arranged in a ring around it. Each of these peripheral circles contains a white icon: a padlock, a bar chart with an upward arrow, a clipboard with a checklist, a globe, a group of three people, a handshake, three interlocking gears, and a group of three people. The overall aesthetic is professional and tech-oriented.

CODE OF CONDUCT & BUSINESS PRACTICES



1. CODE OF CONDUCT, DISCIPLINE & BUSINESS PRACTICES

1.1 Introduction

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

This Code:

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

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

1.2 General Guidelines

Every employee shall:-

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

1.3 Integrity

Every employee shall:-

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

1.4 Conflict of Interest

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

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

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

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

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

Employees on the payroll of BOAJK 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. And unusual or erratic movement of funds.

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

1.7 Personal Investments

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

Employees must ensure that no conflict of interest arises between their personal transactions and corporate and customer responsibilities. Employees must never attempt to use their position in BOAJK to obtain an advantage to buy and sell investments.

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

Employees shall not, at any time, carry out:

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

1.8 Relations with Regulators

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

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

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

1.9 Relationship with Competitors

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

1.10 Gifts and Entertainment

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

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

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

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

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

1.11 Office Attendance

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

1.12 Corporate Culture

The Bank recognizes its staff members' personal behaviour 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.

BOAJK 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 BOAJK consistently seeks to exceed customers' expectations. Employees should seek to understand customers' financial circumstances and needs to be able to provide them with the most suitable products and services.

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

1.14 Business/Work Ethics/Discipline

Every employee shall:-

- Respect colleagues and work as a team. He shall all times be courteous and not let any personal differences affect his work. He shall treat every customer of BOAJK with respect and courtesy.
- Make sure good attendance and punctuality and demonstrate a consistently good record in this area. For any absence during work hours during his placement to BOAJK 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 BOAJK that are under his personal control. He shall not use Bank's asset for his personal benefits except where permissible and customary.
- Help in maintaining a healthy and productive work environment, shall not engage in selling, distributing, using any illegal substance or being under influence of illegal drug while on job.
- Ensure strict adherence to all health and safety policies as may be implemented from time to time by the Bank.
- Intimate BOAJK of any changes in the personal circumstances relating to his employment or benefits.
- Not accept or seek any outside employment or office whether stipendiary or honorary.
- Not undertake part time work for a private or public body or private person, or accept fee thereof, during the services of Bank.

1.15 Women at Work Place

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

1.16 Maintaining Confidentiality

Confidential information comprises of:-

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

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

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

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

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

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

Senior Management will ensure that:

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

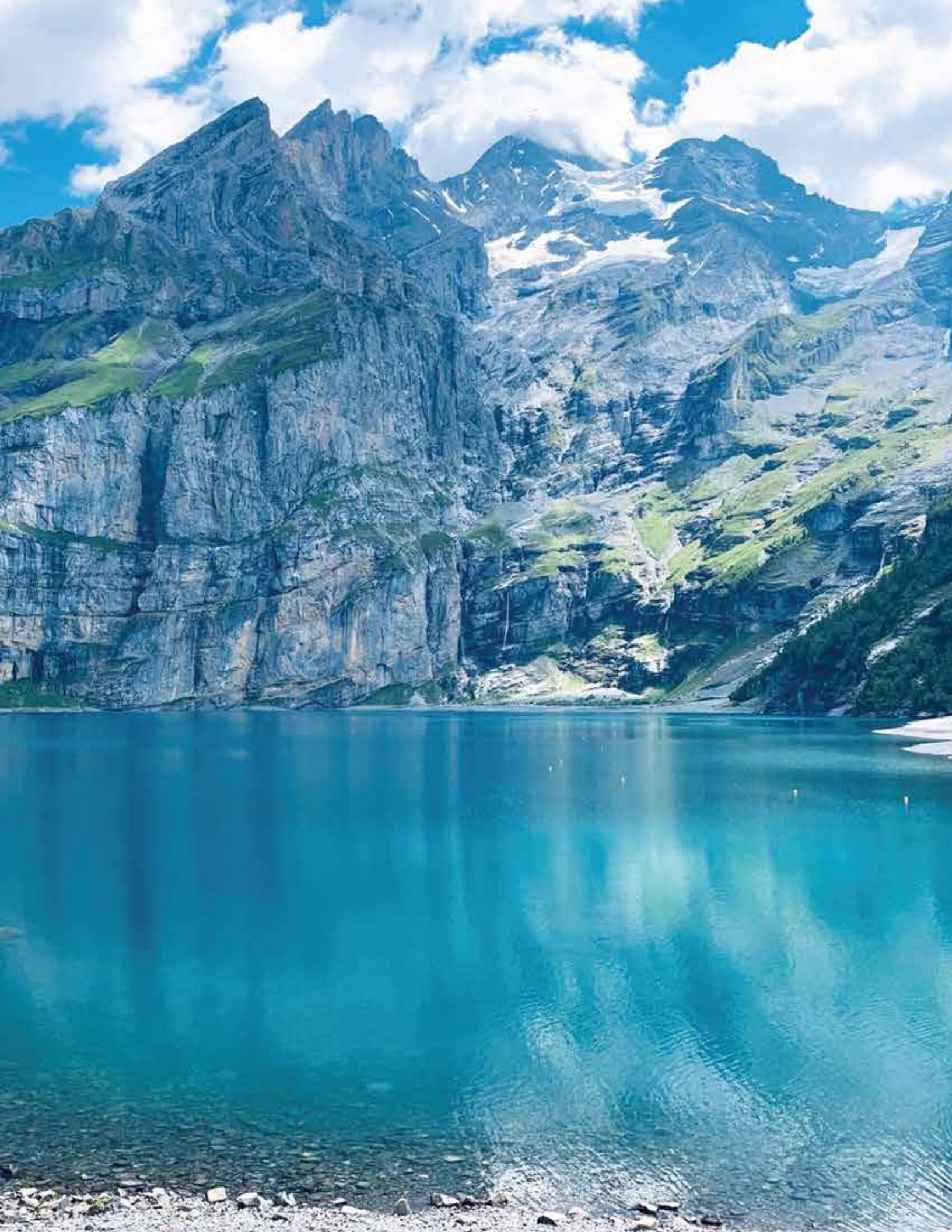
1.19 Special Conditions

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

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

1.20 Certification

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



PROGRESSING WITH YOUR TRUST

With 70 branches throughout the Azad Jammu & Kashmir,
BAJK has become the region's one of the
largest banking network in the past 15 years.
BAJK is tirelessly contributing in the socio - economic development
of the state of Azad Jammu & Kashmir
while providing state of the art banking facilities to all its customers.

BAJK

Bank of Azad Jammu & Kashmir

آپکی پہچان

بینک آف آزاد جموں و کشمیر



Bank of Azad Jammu & Kashmir
Head Office: Bank Square, Chatter Domel,
Muzaffarabad, Azad Jammu & Kashmir

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