
# BUILDING TRUST
# DRIVING GROWTH

Bank of Azad Jammu & Kashmir

www.bankajk.com

Annual Report 2025


2025


# VISION

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

# MISSION

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

- TRUST
- PEOPLE

ACHIEVEMENT

# CORE VALUES

- QUALITY
- IDEAS

- INNOVATION
- TEAM WORK

RESPONSIBILITY

# CORPORATE INFORMATION

TOGETHER WE STAND

## BOARD OF DIRECTORS

| | |
|---|---|
| Ch. Qasim Majeed, Minister Finance & Inland Revenue, GOAJK | Chairman |
| Mr. Shahid Shahzad Mir, CEO, BAJK | President |
| Mr. Hasan Masud, Secretary Finance, GOAJK | Member |
| Dr. Muhammad Idrees Abbasi, Secretary Law, Justice & Parliamentary Affairs, GOAJK | Member |
| Mr. Adnan Khurshid, Secretary Industries & Commerce, GOAJK | Member |
| Mr. Mubashar Nabi, Social Worker | Member |
| Ms. Bushra Naz Malik, Chartered Accountant | Member |
| Mr. Khurram Haris, Investment Professional | Member |

## HUMAN RESOURCE COMMITTEE OF BOD

| | |
|---|---|
| Mr. Hasan Masud, Secretary Finance, GOAJK | Director/Chairman |
| Mr. Mubashar Nabi | Director/Member |
| President BAJK | CEO/Member |
| Divisional Head Human Resource Management Division | Secretary |

## AUDIT COMMITTEE OF BOD,

| | |
|---|---|
| Ms. Bushra Naz Malik, | Director/Chairperson |
| Mr. Hasan Masud, Secretary Finance, GOAJK | Director/Member |
| Dr. Muhammad Idrees Abbasi, Secretary Law, GOAJK | Director/Member |
| Mr. Adnan Khurshid, Secretary Industries, GOAJK | Director/Member |
| Divisional Head, Audit and Inspection Division | Secretary |

## RISK MANAGEMENT COMMITTEE OF BOD,

| | |
|---|---|
| Mr. Mubashar Nabi | Director/Chairman |
| Mr. Hasan Masud, Secretary Finance, GOAJK | Director/Member |
| Dr. Muhammad Idrees Abbasi, Secretary Law, GOAJK | Director/Member |
| Ms. Bushra Naz Malik | Director/Member |
| President BAJK | CEO/Member |
| Divisional Head, Risk Management Division | Secretary |

## I.T COMMITTEE OF BOD

| | |
|---|---|
| Mr. Hasan Masud, Secretary Finance, GOAJK | Director/Chairman |
| Dr. Muhammad Idrees Abbasi, Secretary Law, GOAJK, | Director/Member |
| Mr. Mubashar Nabi | Director/Member |
| President BAJK | CEO/Member |
| Divisional Head, I.T Division | Secretary |

### Company Secretary

Adnan Ullah Khan

### Auditors

Yousuf Adil
Chartered Accountants

Head Office: Bank Square, Chattar Domel, Muzaffarabad AJK

# MESSAGES

TOGETHER WE LEAD

Barrister
Sultan Mehmood Chaudhry
President of the State of Aj&K

The year 2025 represents continuity, renewal, and forward momentum for the Bank of Azad Jammu & Kashmir (BAJK). As the State moves ahead with a shared vision of sustainable progress, I am encouraged to witness the Bank's steady performance and its enduring contribution to our region's economic stability.

BAJK continues to demonstrate resilience, strategic clarity, and institutional discipline. In an evolving economic environment, the Bank has maintained growth while strengthening its governance, operational systems, and public service mandate.

During 2025, the Bank has:

- Sustained financial growth and reinforced capital strength
- Expanded access to banking services in underserved areas
- Accelerated digital modernization initiatives
- Enhanced financing support for SMEs, agriculture, and youth enterprises

Financial inclusion remains central to our development goals. By widening access to formal banking and improving service delivery through technology, BAJK is empowering individuals, entrepreneurs, and communities.

I commend the Board of Directors, management, and staff for their professionalism and sense of responsibility. Institutions like BAJK are pillars of public trust and economic confidence.

With continued dedication and strategic foresight, I am confident the Bank will further strengthen its role in advancing a prosperous and financially inclusive Azad Jammu & Kashmir.

TOGETHER WE PROSPER

Faisal Mumtaz Rathore
Prime Minister GOAJK

The performance of the Bank of Azad Jammu & Kashmir (BAJK) in 2025 underscores its importance as a strategic partner in our government's economic framework.
The Bank has aligned its growth strategy with national priorities promoting entrepreneurship, facilitating access to finance, and supporting infrastructure and development initiatives across Azad Jammu & Kashmir.

Key achievements in 2025 include:
- Continued expansion of deposits and advances
- Strengthened risk management and compliance systems
- Enhanced digital payment and banking solutions
- Progress toward regulatory and institutional advancement

The Bank's focus on inclusive banking particularly for youth, women, and small businesses is contributing meaningfully to employment generation and economic participation.

Our government remains committed to fostering an enabling policy environment that supports responsible banking growth, technological adoption, and financial sector modernization.

I appreciate the collective efforts of the Chairman, Board members, President/CEO, and the entire BAJK team. Their dedication ensures the Bank remains a reliable and forward-looking financial institution.
Together, we strengthen the economic future of our State.

TOGETHER WE PROGRESS

Ch. Qasim Majeed
Minister Finance &
Inland Revenue, GOAJK
Chairman Board of Directors, BAJK

It is an honor to present my first message as Chairman of the Bank of Azad Jammu & Kashmir (BAJK) in the Annual Report 2025.

This year has focused on reinforcing governance excellence, strategic oversight, and long-term institutional sustainability. The Board has prioritized transparency, accountability, and prudent decision-making to ensure continued stability and growth.

2025 Strategic and Financial Highlights:

- Stable profitability and balanced asset growth
- Strengthened internal controls and audit functions
- Enhanced compliance and regulatory alignment
- Continued branch and service network expansion

Our governance framework is guided by three core principles:

1. Institutional Integrity – Upholding strong oversight and responsible stewardship.
2. Strategic Innovation – Supporting management in digital transformation initiatives.
3. Sustainable Growth – Maintaining asset quality and long-term shareholder value.

The Board remains committed to supporting management in achieving regulatory milestones and expanding BAJK's institutional capacity.

I extend gratitude to our shareholders, government stakeholders, customers, and employees for their sustained confidence and support.

With sound governance and clear direction, BAJK stands well-positioned for its next phase of growth.

T O G E T H E R   W E   R I S E

Shahid Shahzad Mir
President/CEO

The year 2025 marks another important step in BAJK's strategic journey. Building on prior achievements, we focused on strengthening operational efficiency, enhancing digital capabilities, and deepening customer engagement.

Our performance reflects disciplined execution and teamwork across all levels of the organization.

2025 Performance Overview:

- Continued growth in profitability
- Expanded customer base across retail and SME segments
- Improved operational turnaround times through automation
- Increased adoption of digital banking services

Strategic Priorities Delivered:

Digital Transformation

- Upgraded mobile and online banking platforms
- Strengthened cybersecurity infrastructure
- Enhanced digital payment solutions

Financial Inclusion

- Expansion of youth and women banking initiatives
- Rural outreach financing programs
- Financial literacy drives across institutions

Operational & Human Capital Excellence

- Advanced employee training programs
- Data-driven credit assessment improvements
- Customer service enhancement initiatives

As we move toward 2026, our roadmap includes:

- Further regulatory advancement
- Expansion of Islamic banking window services
- AI-enabled banking solutions
- Strengthened capital and liquidity management

I express sincere appreciation to our employees for their dedication, to our customers for their trust, and to our regulators and government partners for their continued support.

Together, we are building not just a stronger bank, but a stronger financial future for Azad Jammu & Kashmir.
Thank you.

# DIRECTORS' PROFILE

CH. QASIM MAJEED
Minister Finance & Inland Revenue, GOAJK
Chairman Board of Directors, BAJK

Ch. Qasim Majeed is the current Chairman of the Bank of Azad Jammu & Kashmir and serves as the Minister for Finance and Inland Revenue as well as Member of the Legislative Assembly from LA-2 Mirpur. His priority is to modernize and digitalize AJK's banking system making it fully compatible with Pakistan's current financial standards and aligned with global banking practices. He is committed to introducing innovative mechanisms that ensure ease of business, improved access to financial services, and a more efficient and consumer-friendly banking experience across the region.

SHAHID SHAHZAD MIR
President/CEO

Mr. Shahid Shahzad Mir is a seasoned banking professional with an illustrious career spanning several key leadership roles within the financial sector. Currently serving as the President and Chief Executive Officer (CEO) of The Bank of Azad Jammu & Kashmir, he brings a wealth of expertise in financial management, strategic leadership, and executive decision-making.

Mr. Shahid Shahzad Mir commenced his journey with the Bank of Azad Jammu & Kashmir in 2006, initially joining as an OG-II. Through his unwavering commitment and diligent efforts, he progressively earned promotions within the organization. In 2014, in recognition of his hard work and dedication, Mr. Mir achieved the esteemed position of Divisional Head of the Financial Control Division and Treasury. Prior to joining Bank of AJK, he remained associated with Sehgal Group of Industries, Pakistan's one of the most reputed Business Group as Manager Finance.

He has been looking after the Financial Control and Treasury Management of the Bank, playing a pivotal role in shaping and executing the bank's financial strategies. In addition to his core financial responsibilities, he holds significant leadership roles within the Bank. As Head of Finance & Treasury at the Head Office, he demonstrated exceptional financial acumen. His role extended to treasury functions, where he effectively managed day-to-day operations, investments in various financial instruments, and ensured robust and fund management. His meticulous approach to financial governance is evident from the Profitability of the Bank, which has been sky rocketed through viable investments.

Mr. Shahid Shahzad Mir brings with him ample knowledge and experience of Commercial and Retail Banking, and in his previous role in the field of Business, he provided inspirational leadership ensuring the successful delivery of business plans.

His academic journey reflects a commitment to continuous learning and professional development. Holding a Master's degree in Economics, and MBA in Finance, he has also earned diplomas and certifications in Islamic Banking and Finance and certified Islamic Fund Manager, further enhancing his expertise in this specialized domain.

Recently assuming the charge of Acting President/CEO, Mr. Shahid Shahzad Mir brings a visionary approach to his leadership. Known for his strategic thinking and commitment to excellence, He is poised to steer the Bank of Azad Jammu & Kashmir towards new heights. His extensive experience, coupled with a comprehensive understanding of financial dynamics, positions him as a dynamic and capable leader ready to navigate the bank through evolving challenges and opportunities.

Mr. Shahid Shahzad Mir's leadership philosophy revolves around fostering a culture of innovation, collaboration, and customer-centricity. As Acting President/CEO, he is dedicated to upholding the bank's legacy of trust, transparency, and service excellence, ensuring the continued success and growth of The Bank of Azad Jammu & Kashmir.

**MR. HASAN MASUD**
Secretary Finance,
GOAJK /Director BAJK

For the past 24 years Hasan Masud has worked in the areas of Public Financial Management (PFM) reform and digital transformation. Presently as Secretary Finance, Azad Jammu and Kashmir, he is working on digital transformation and mainstreaming of PFM reforms in the region. He had earlier worked on digital transformation issues at the office of the Auditor General of Pakistan. This involved working as the Project Manager of Audit Management Information System (AMIS) in the 28 field offices across the country. He was also responsible for implementing an intensive professional training and education program in the field of Accounting, Information Technology and Auditing. This entailed mainstreaming a new competency framework, change management and development of an innovation hub in the department of the Auditor General. He has worked on change management and internal governance reforms as Director General MIS/FABS, the agency responsible for digitalization in Government Accounting organizations. Mr Hasan Masud has been trained extensively in the field of Project Management, PFM, Internal Audit, government Auditing both locally and abroad.

Some of his key assignments are

- Secretary Finance, Government of AJK, Muzaffarabad (Present Posting)
- Accountant General, AJK, Muzaffarabad
- Director General Information Technology/ Project Manager, Auditor General Office, Islamabad
- Director General Audit Defence Services, Rawalpindi
- Director General MIS/Financial Accounting and Budgeting Systems, Controller General of Accounts, Islamabad

- Director General Quality Assurance, Inspection & Monitoring, Auditor General Office, IslamabadGeneral Office, Islamabad
- Additional Accountant General, AGPR, Islamabad
- Controller Military Accounts (ISOs), MAG, Rawalpindi
- Controller Local Audit (DP), MAG, Rawalpindi
- Vice Consul (Accounts), Consulate General of Pakistan, Jeddah, KSA

**DR. M. IDREES ABBASI**
Secretary Law, Justice, Parliamentary Affairs & Human Rights Department GOAJK/Director BAJK

Dr. Muhammad Idrees Abbasi is Secretary Law, Justice, Parliamentary Affairs & Human Rights Department, Govt. of AJK and Director of the Board of Bank of AJK. He is a Ph.D in Law (Human Rights) from International Islamic University, Islamabad and has a vast experience of law, planning, teaching and management at his credit which includes various top hierarchy level positions. He headed various Departments as Secretary to the Govt. of Azad Jammu & Kashmir. Dr. Abbasi is a highly professional/competent person. He attended a large number of training programs nationally and internationally. Dr. Abbasi has a diversified personality which lead him to write numerous Research Papers and Publications on all the aspects such as Human Rights, Islamic as well as Inland Laws, Kashmir Issue, Electronic Media and Women Testimony under Qanoon-e-Shahadat. Dr. Mohammad Idrees Abbasi, Secretary Law Justice, Parliamentary Affairs & Human Rights Department, Govt. of AJK and Director of the Board of Bank of AJK. He is a Ph.D in Law (Human Rights) from International Islamic University, Islamabad and has a vast experience of law, planning, teaching and management at his credit which includes various top hierarchy level positions. He headed various Departments as Secretary to the Govt. of Azad Jammu & Kashmir.

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

**MR. ADNAN KHURSHID**
Secretary Industries, Commerce, Labour Welfare, Weights & Measures, Mineral Resources, Sericulture & Printing Press Department, GOAJK/Director BAJK

Mr. Adnan Khurshid is a senior government official in Azad Jammu & Kashmir (AJK), currently serving in a key administrative role within the state administration and the regional financial sector.

Current Roles & Responsibilities

- Secretary to the Government of AJK: Heading the Department of Industries, Commerce, Labour Welfare, Weights & Measures, Mineral Resources, Sericulture & Printing Press (GOAJK). In this role, he oversees industrial growth, trade policies, labor laws enforcement, regional resource management, state-run printing, and the development of local sericulture and mineral extraction.

- Member of the Board of Directors: Serves on the Board of Directors of the Bank of Azad Jammu and Kashmir (BAJK), contributing to strategic oversight, policy formulation, and governance for the state's financial institution.

### MR. MUBASHAR NABI
Social Worker/Director BAJK

Mr. Mubashar Nabi is Founder President and Ex-CEO of ACT. With a vast and diversified background of 30 years of experience and contributed to policy work and designed & piloted number of national programs & development initiatives across Pakistan & AJ&K. He has almost 30 years' experience on his credit with exclusive thirteen years practical understanding of working with international and national organizations aiming at poverty alleviation through community mobilization. He specializes in the field of community mobilization with special perspective of forming institutions, linking them up with donor organizations and facilitating the BODs of these institutions to envision from the perspective of institutional development in their local perspective. Being an associate of MDF Holland, Mr. Nabi had contributed widely to strengthening national & regional level institutions through capacity building initiatives linked with microfinance and infrastructure development including TRDP, MRDP, SAFCOW, JWS, IRC, BRSP, KWO, WWOP, HRDN, etc. He had initiated, implemented and managed large projects funded by UNDP, WB, WFP, UNICEF, DIFD, USAID and Save the Children (US & UK). He was also part of the formation of Human Resource Development Network which sets a milestone in the history of capacity building endeavors in the country. His special interest revolves around Institutional Development & Organizational Strengthening, Leadership Management, Social mobilization, Capacity Building, Program Management and Innovate divergent programs in the field of poverty alleviation, microfinance, disaster preparedness, livelihood, social sector, reconstruction and social mobilization.

### MS. BUSHRA NAZ MALIK
Chartered Accountant/Director BAJK

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

**MR. KHURRAM HARIS**
Banking & Investment Professional/Director BAJK

Mr. Khurram Haris is a seasoned banking and investment professional with over two decades of diverse experience across Pakistan, UAE and United Kingdom. He is the Chief Executive Officer and Founder of KH Group / KIMC Management Consulting, providing strategic advisory services in investment, infrastructure and public-private partnerships. Mr. Haris has held several senior leadership and advisory roles, including Executive Director at the Bin Zayed Group (UAE), Executive Director and Advisor for South Asia and the Middle East at Tumas Pakistan and Honorary Investment Advisor to UAE, the Board of Investment, Pakistan. He currently serves as a Member of the Public-Private Partnership Policy and Monitoring Board, Government of Punjab, and has previously contributed as a Corporate and Banking Transaction Expert with NAB Lahore. His distinguished career also includes senior positions with leading global financial institutions such as Barclays Bank, Citibank and the Royal Bank of Scotland, as well as advisory roles with national and international public sector organizations. Mr. Haris holds an MBA from the University of Liverpool (UK) and a Postgraduate Diploma in Information Technology from DeVry University, Canada.

# MANAGEMENT TEAM

SHAHID SHAHZAD MIR
PRESIDENT / CEO

RAHILA JAVED
Divisional Head HRMD

RAJA GHULAM MUSTAFA
Divisional Head CRBD

AHTASHAM MALIK
Divisional Head Operations

MUHAMMAD IMTIAZ SHAHEEN
Divisional Head CMD

AMJAD MEHMOOD GILANI
Divisional Head RMD

SYED TASHFEEN GILANI
Divisional Head TMD

MUHAMMAD JAVED IQBAL
CCO

AKHTAR HUSSAIN
Divisional Head CAD

GULZAR A RAO
Divisional Head ITD (A)

MUHAMMAD ASLAM AWAN
Divisional Head IBD (A)

MASOOD ILYAS KHAN
Divisional Head SAMD (A)

# 10 YEARS AT A GLANCE

2016 - 2025

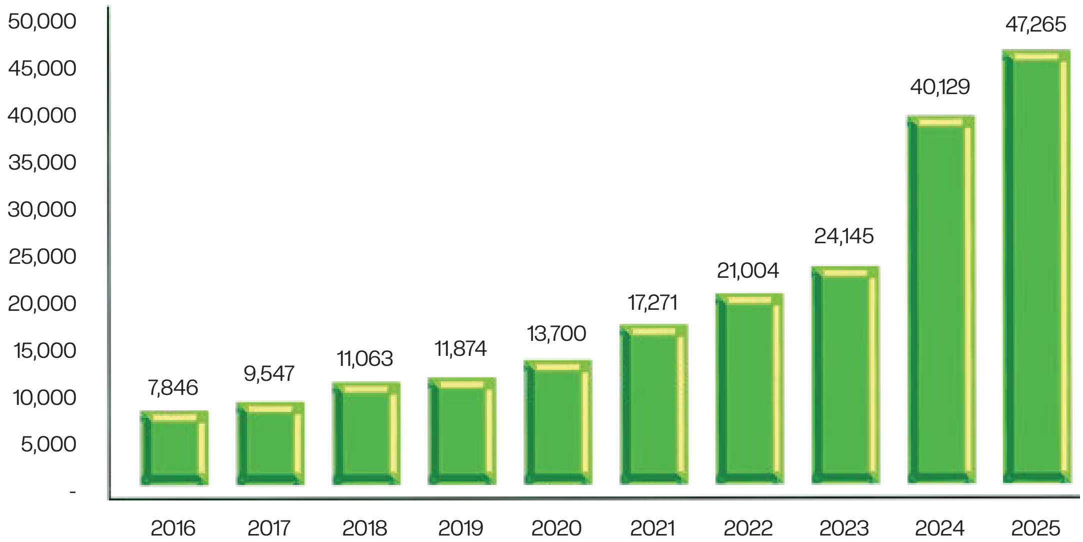
Rupees in Million

| BALANCE SHEET | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 60,388 | 50,819 | 32,560 | 28,461 | 23,551 | 16,819 | 13,566 | 12,411 | 10,840 | 8,936 |
| Advances (net) | 4,998 | 4,420 | 3,874 | 3,290 | 2,815 | 2,247 | 2,037 | 2,029 | 2,407 | 2,609 |
| Investments | 50,610 | 44,978 | 24,806 | 22,240 | 19,206 | 13,206 | 10,372 | 9,464 | 7,745 | 5,677 |
| Equity | 10,599 | 7,170 | 6,431 | 5,869 | 5,421 | 2,385 | 1,227 | 1,153 | 1,063 | 949 |
| Deposits | 47,265 | 40,129 | 24,145 | 21,004 | 17,271 | 13,700 | 11,873 | 11,063 | 9,547 | 7,845 |
| **OPERATING RESULTS** | | | | | | | | | | |
| Markup Interest earned | 6,632 | 7,490 | 4,809 | 3,222 | 1,673 | 1,511 | 1,279 | 936 | 843 | 808 |
| Markup Interest expense | 3,566 | 4,211 | 2,585 | 1,451 | 668 | 737 | 703 | 385 | 327 | 333 |
| Net Markup Based Income | 3,065 | 3,278 | 2,224 | 1,771 | 1,004 | 774 | 577 | 551 | 516 | 475 |
| Non Markup Based Income | 118 | 149 | 56 | 52 | 36 | 34 | 27 | 22 | 52 | 51 |
| Non Markup Based expenses | 1,804 | 1,527 | 1,169 | 914 | 600 | 519 | 470 | 422 | 363 | 325 |
| Operating Profit | 1,379 | 2,004 | 1,112 | 909 | 440 | 289 | 134 | 151 | 204 | 201 |
| Provision | 88 | (34) | 1 | 29 | 37 | 31 | 8 | (22) | (63) | 112 |
| Profit Before Tax | 1,292 | 1,935 | 1,111 | 880 | 403 | 258 | 125 | 173 | 267 | 90 |
| Net Propfit after Tax | 530 | 883 | 537 | 458 | 238 | 153 | 72 | 100 | 157 | 51 |
| **OTHER INFORMATION** | | | | | | | | | | |
| Earning per share | 0.74 | 1.48 | 0.97 | 0.89 | 0.79 | 1.27 | 0.64 | 1.07 | 1.68 | 0.65 |
| Number of Branches | 89 | 87 | 85 | 82 | 77 | 70 | 70 | 70 | 68 | 65 |

# FINANCIAL HIGHLIGHTS

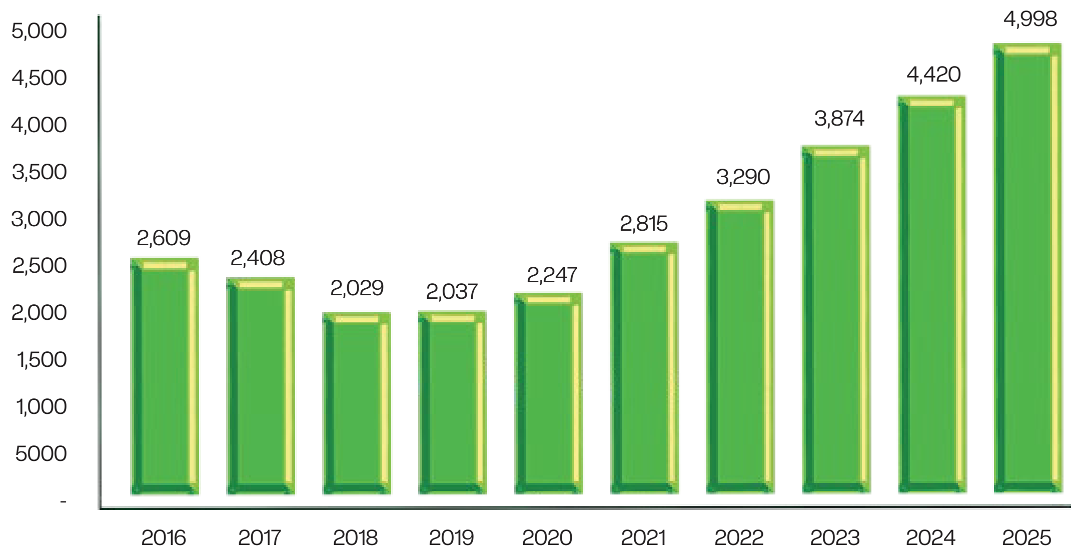
## DEPOSITS

Rupees in Million

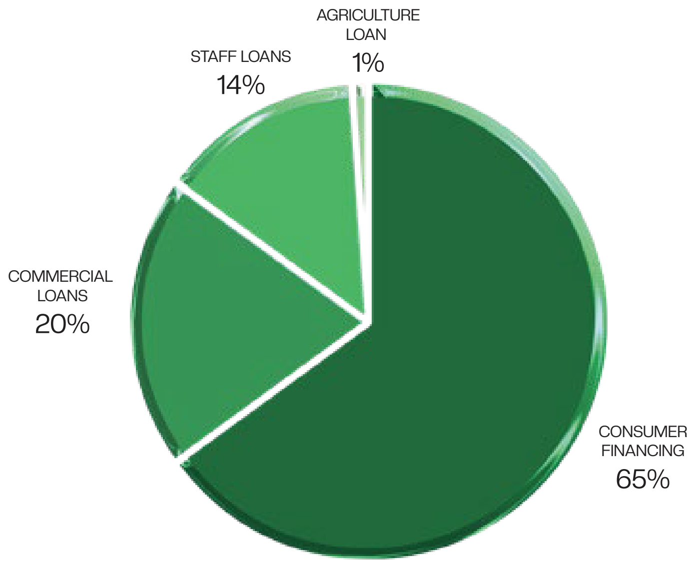



## ADVANCES

Rupees in Million

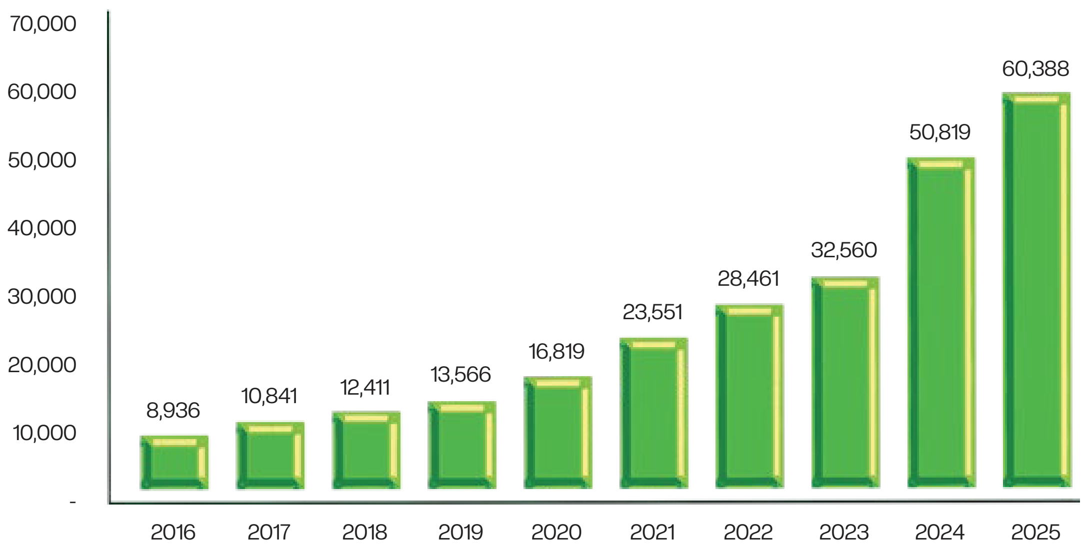


## ADVANCES MIX (%)



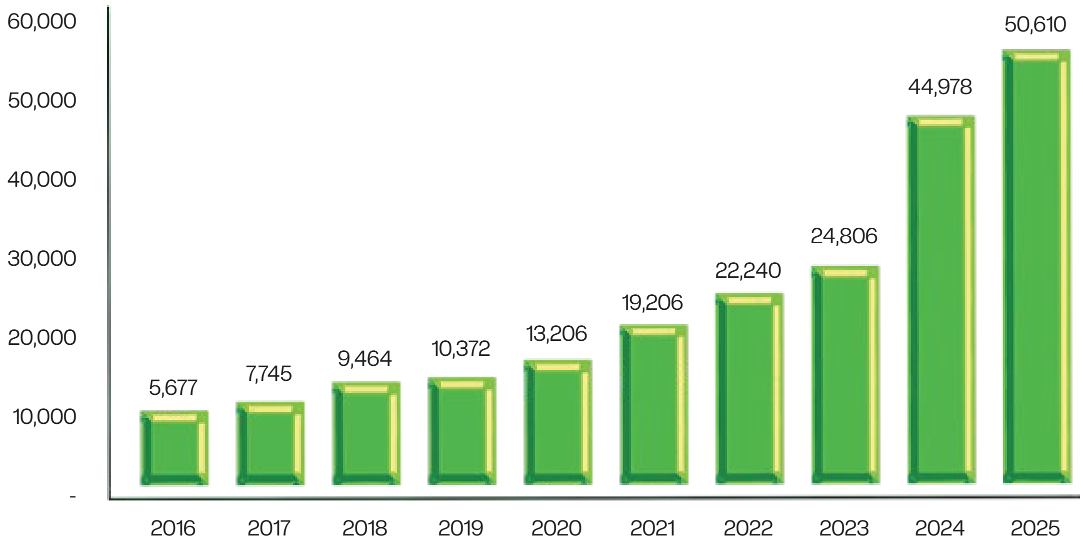

## ASSETS

**Rupees in Million**



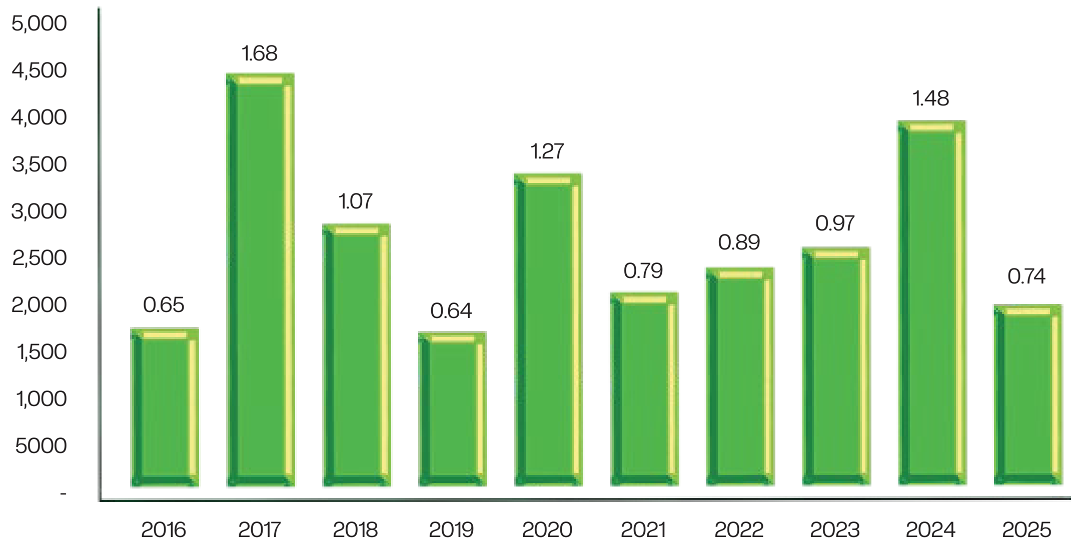
## INVESTMENTS

Rupees in Million

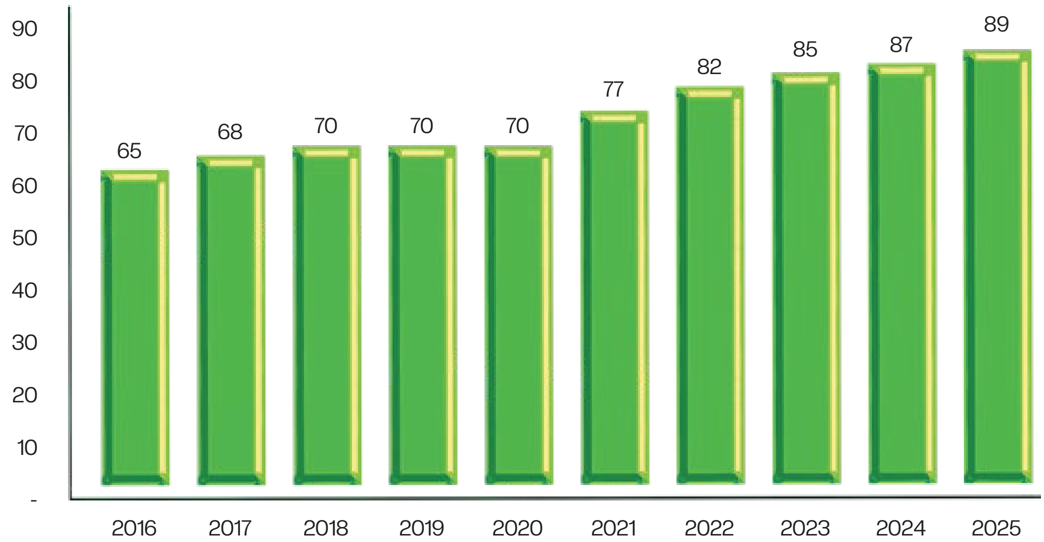



## EARNING PER SHARE

(Rupees)

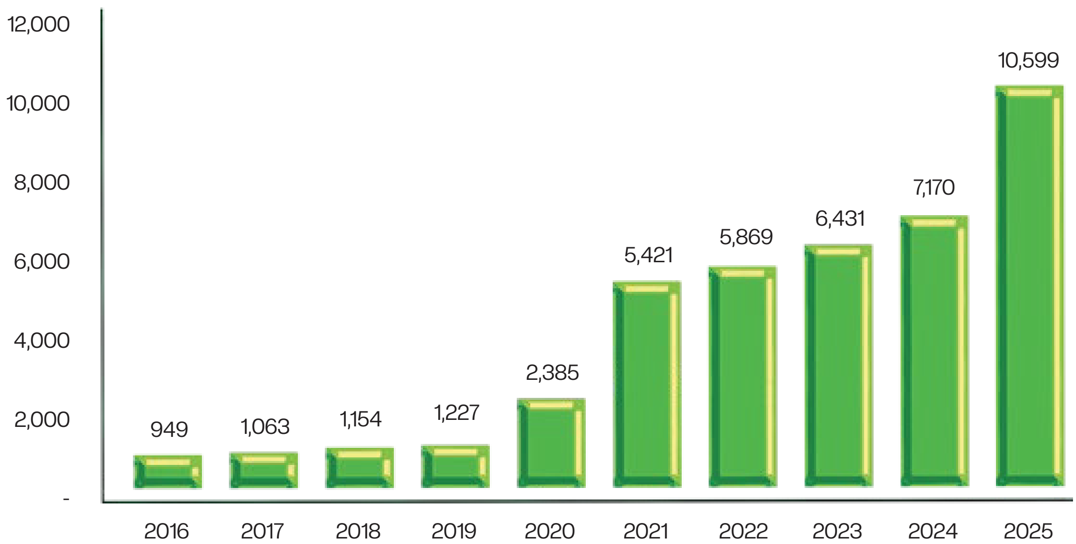


## NUMBER OF BRANCHES



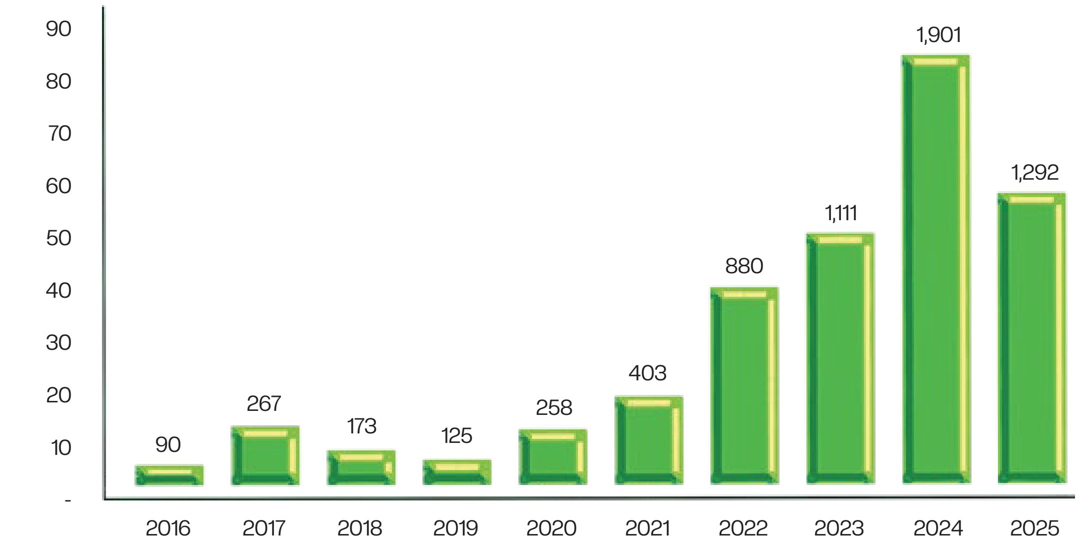

## EQUITY

**Rupees in Million**



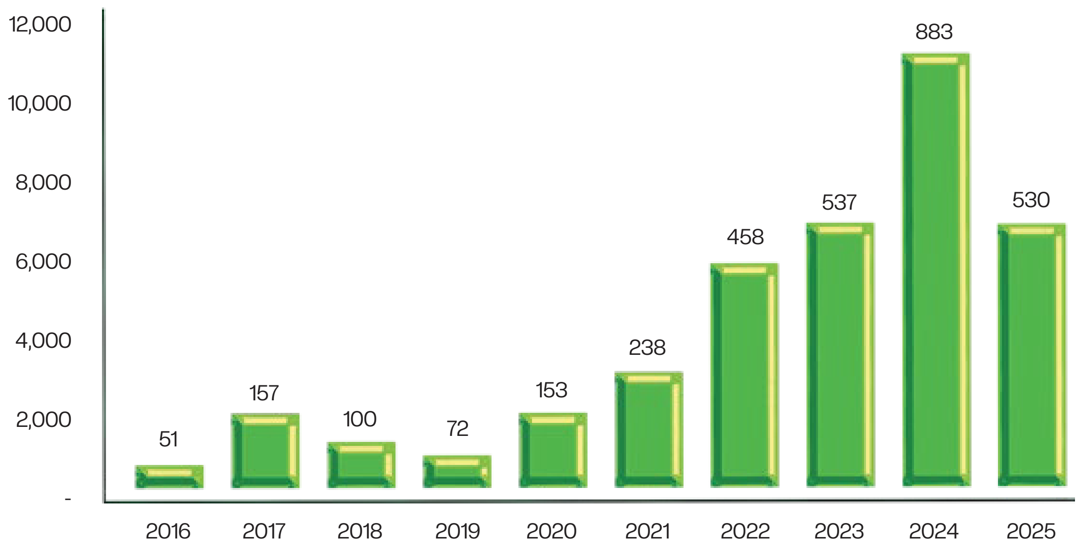
## PROFIT BEFORE TAX

Rupees in Million




## PROFIT AFTER TAX

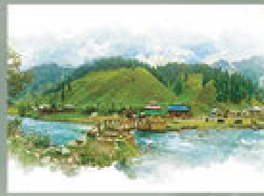
Rupees in Million



ADVANCE SALARY SCHEME

RUNNING FINANCE

HEALTH CARE / SERVICE FINANCE



TOURISM PROMOTION FINANCE

GOLD LOAN

MOTORCYCLE FINANCE

HOUSE LOAN

PERSONAL LOAN

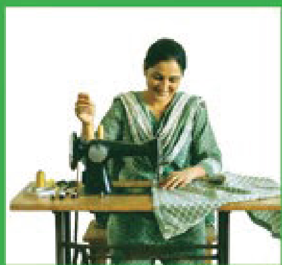
HOME APPLIANCE FINANCE

DEMAND FINANCE

CAR FINANCE

AUTO FINANCE

AGRICULTURE FINANCE



MICRO FINANCE

# CUSTOMIZED PRODUCTS

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

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

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

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

**Car Finance**
Enjoy comfortable traveling with your family. Facilitate pick and drop of your kids. BAJK offers purchase of brand new cars for domestic and personal use. Appliances Finance
Purchase of modern electronic appliances/ gadgets of your choice and provide comfort to your life.

**Motorcycle Finance**
For quick fulfillment of family needs with economical mode of traveling. Easy and quick approach to your destination.

**Home Appliances Finance**
Purchase of modern electronic appliances/ gadgets of your choice and provide comfort to your life.

## COMMERCIAL/ SME FINANCE

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

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

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

**House Finance Commercial**
Construction Finance for Commercial Building/Shopping Malls
BAJK offers loan facility for construction/ renovation/purchase of commercial

# ADVANCE SALARY SCHEME

اہم خصوصیات: آسان پراسیس • آسان اقساط • بہتر سروس بینک • کوئی پوشیدہ چارجز نہیں • فوری پراسیسنگ • بہترین بینکنگ سروس کا ایک آسان ذریعہ

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

## Eligibility
Permanent employees of Government / Semi-Government Departments / Autonomous bodies / Corporations with at least 1 year of service.

## Age Limit
18-60 years

## Loan Limit
Maximum up to Rs. 3,000,000/-

## Tenure
Maximum 48 months (The loan should be settled six months prior to date of retirement)

## Repayment
Equal Monthly Installments

## DSR
40% (Maximum)

## Primary Security
Hypothecation of household items up to the value of loan amount

## Secondary Security
Personal guarantee of a Government Officer (Guarantor should be in equivalent or above grade of the borrower but not less than Grade 11)

## Insurance
Life insurance of the borrower

# گولڈ لون :

سونا رکھوائیں پیسے لے جائیں

سونے کی مالیت کا 80٪ تک قرض کی سہولت حاصل کریں

اہم خصوصیات : حدِ قرضہ 20 لاکھ روپے تک • انتہائی کم مارک اپ • انتہائی آسان اقساط

تیز ترین پروسیسنگ • کوئی پوشیدہ چارجز نہیں • فوری ادائیگی

بغیر جرمانے کے قبل از وقت ادائیگی کی سہولت • آسان شرائط

بینک کی شرائط و ضوابط لاگو ہوں گی۔

# PERSONAL LOAN

سرمایہ محفوظ :

ذاتی ضرورت کے لیے فوری قرضہ
سرمائے کا ٪95 تک قرض کی
سہولت حاصل کریں

Purpose: To facilitate your urgent domestic and personal needs, BAJK makes it possible by providing financial facility in shape of Personal Loan so that you could easily take care of your needs. Just avail this facility and enjoy tension-free life.

- Eligibility: AJK / Pakistani National
- Loan Limit: 95% against Government Securities
- 95% (First party) and 90% (Third party) against bank's own deposits
- 90% against deposits with others banks
- Tenure: upto 36 months
- Repayment: Installments / Lump Sum (as per convenience borrower)
- Security: Lien on deposits / Pledge of instruments (TDR's, DSC's, NSC's)
- Secondary Security: Hypothecation of House Hold Items (in case of 3rd party security)
- Insurance: Life insurance of Borrower (Optional)

# HOUSING FINANCE

**Making your Dream Home Ownership Come True**

### Eligibility

- Age: 18 to 60 Years
- Minimum 3 Years in Service/ Business

### Salient Features

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

# CAR FINANCE

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

## Eligibility
Must be AJK/Pakistani National.
Permanent Employee of Government/Semi Government Departments and Autonomous Corporations with at least 03 years of service.
Professional/Self Employed/Businessmen having established business for last three years.

## Age Limit
18-60 years

## Loan Limit
Upto Rs. 3,000,000/-

## Tenure
Upto 1000 CC: 60 months
above 1000 CC: 36 months

## Repayment
Equal Monthly Installments

## DSR
40% (including insurance premium)

## Down Payment/ Equity
Minimum 30%

## Primary Security
Joint Registration of the vehicle in the name of BAJK and borrower under HPA.

## Secondary Security
01 Personal Guarantee of Government Officer BPS-17 and above OR Postdated Cheques equivalent to the number of Installments.

## Insurance
Comprehensive Insurance of the vehicle.


# MOTORCYCLE LOAN

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

## Eligible Customers

- All Permanent Employees of the Government/ Semi Government Departments/Autonomous Corporations of the Government of AJK having 3 years of Services
- Business and Self-Empolyed Professionals

# HOME APPLIANCES FINANCE

### Salient Features

Loan Amount up to Rs. 200,000

Tenure up to 3 Years

Affordable Monthly Installments

Lowest Mark up Rate

Applicant must be AJK Resident having Valid CNIC

Clean eCIB or Data Check Report

BAJK Account Holder

Fast Track Processing

No Hidden Charges

# RUNNING FINANCE

### Finance Working Capital for your business

To Meet the working Capital Needs of Businessmen/ Firms Having

### Salient Features

| Loan Parameter | Details |
|---|---|
| Loan Features | Purchase of stock and fulfilling of operational expenses of your business.<br>Financial limits are available for your existing business/planned expansion. |
| Eligibility | • Account holder of the bank.<br>• Reasonable turnover to justify the limit requested.<br>• Existing business/planed expansion. |
| Loan Limit | As per justified business requirement. |
| Tenure | 01 Year (Renewable). |
| Repayment | Principal lump sum and markup monthly/quarterly basis. |
| Primary Security | Hypothecation of stock. |
| Secondary Security | Mortgage of property / lien on Deposits / pledge of Gold. |
| Insurance | Insurance cover of Hypothecated Stock and Mortgaged Property as per Bank's policy. |

# AUTO FINANCE COMMERCIAL

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

### Salient Features

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

# DEMAND FINANCE

### Shouldering Your Business to Next Level

Procurement of Assets for
Businessmen/ Firms Having
Existing Business

### Salient Features

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

# TOURISM PROMOTION FINANCE

**Loan Amount Upto Rs. 5.00 Million**

| | |
|---|---|
| Loan Features | To finance the infrastructure facilities to promote/facilitate tourists activities and movements in tourist attractions in AJK. The tourists infrastructural facilities include establishment of tourist Huts, refurbishment/renovation of existing guest houses, erecting additional accommodation within existing residential houses of the locals in AJK. |
| Eligibility | • House should be suitably located having a motor able approach.<br>• Permission of concerned Government organization for Conversion/ Renovation /<br>• Refurbishment of House into Hotel/Guest House.<br>• Hotel/Guest House should be preferably managed by the owner himself. |
| Age Limit | 18-60 years |
| Loan Limit | Up to Rs. 5.00 Million |
| Tenure | Up to 05 years |
| Repayment | Monthly installments with 03 months grace period for construction cases. |
| Equity Contribution | 20% Minimum |
| Primary Security | Hypothecation of all Moveable Assets/Furniture & Fixture etc. |
| Secondary Security | Mortgage of property/lien on Deposits/ pledge of Gold |
| Insurance | Insurance cover of hypothecated stock and mortgaged property as per Bank's policy |

# HEALTH CARE

Upto Rs. 10.00 Million

Tenure: Upto 5 years

Affordable Mark-up Rate

Partial and Premature Adjustment Allowed

Insurance Available

No Hidden Charges

# AGRICULTURE FINANCE

**Agri Development**

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

**Agri Production**

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

# MICRO ENTERPRISE LOAN

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

# DIRECTORS' REVIEW REPORT

SHAHID SHAHZAD MIR

On behalf of the Board of Directors, it gives us immense pleasure to present the 20th Annual Report of the Bank of Azad Jammu and Kashmir for the year ended 31st December 2025.

Pakistan's economy in FY'25 transitioned from achieving stability to nascent growth, supported by a turnaround in the Industrial sector amid the unfolding impact of policy rate reductions. FY'26 has carried forward a more broad-based growth momentum. The Large-Scale Manufacturing (LSM) Index grew by 6.0% in 5MFY'26, as most major sectors posted an increase in output. This improvement was also reflected in the HBL Pakistan Manufacturing PMI which, following a temporary flood-related setback, rebounded above the neutral 50.0 mark in Nov'25. The outlook for the services sector has also improved with high frequency indicators on an upward trajectory. Headline inflation inched up to 5.8% in Jan'26, led by an increase in food prices; average inflation for 7MFY'26 stands at 5.2%, within SBP's FY'26 forecast range of 5-7.

The trade deficit for H1FY'26 widened by 36.6% to US $15.8 billion. A surge in domestic demand, resulting from a more benign rate environment, has led to a 12.3% YoY increase in imports. Exports, on the other hand, declined by 5.0%, primarily due to a sharp decline in rice exports, while export of value-added textiles remained resilient. The sizeable trade deficit was cushioned by strong momentum in remittances, which rose by 10.6% to US $19.7 billion. However, the higher trade gap resulted in a Current Account deficit of US $1.2 billion compared to a US $1.0 billion surplus in the same period last year.

The IMF's Executive Board approved the second review of the Extended Funded Facility (EFF) and the first review of the Resilience and Sustainability Facility in Dec'25, acknowledging policy efforts that have stabilized the economy despite global challenges and local floods. Helped by the release of the US $1.2 billion tranche, the SBP has surpassed the FX reserve target of US $15.5 billion, with reserves reaching US $16.1 billion as of Dec'25.

Consequently, the Rupee remained stable, depreciating marginally by 0.6% against the US Dollar during 2025. Equity markets continued to deliver stellar performance, with the KSE-100 posting its third consecutive year of double-digit returns, gaining 51% in 2025. Key drivers of this historic performance included the positive macroeconomic outlook, improved country ratings, and meaningful progress on the privatization agenda.

In the latest monetary policy meeting in Jan'26, the SBP kept the policy rate unchanged at 10.5%, contrary to industry expectations of continued easing. The MPC highlighted that while the inflation outlook remains as expected, core inflation had stabilized at a relatively elevated level in recent months, led by broad-based recovery in demand. Private sector lending grew marginally by 0.8% in 2025, skewed by last year's ADR tax impact, with industry advances declining by 7.1% from the Dec'24 peak; to encourage private sector lending, the SBP reduced the average Cash Reserve Requirement for banks, by 1% to 5%. During 2025, the deposit base expanded by 23.6% while banking sector spreads widened by 26 bps, despite a cut in rates, due to lagged asset repricing.

## BANK'S OPERATING RESULTS AND FINANCIAL REVIEW

The highlights of the financial results for the year ended 31st December, 2025 are as follows:

### Financial Position

| | 2025 | 2024 |
|---|---|---|
| | Rupees in Millions | |
| Shareholders' Equity | **10,599** | **7,171** |
| Total Deposits | **47,265** | **40,129** |
| Total Assets | **60,388** | **50,819** |
| Advances- net | **4,995** | **4,420** |
| Investments-net | **5,499** | **18,377** |

### Financial Performance

| | 2025 | 2024 |
|---|---|---|
| | Rupees in Millions | |
| Net Markup Income | 3,066 | 3,289 |
| Non-Markup Income | 118 | 139 |
| Non-Markup Expenses | 1,805 | 1,527 |
| Operating Profit | **1,380** | **1,901** |
| Provisions and write-offs(net) | 88 | -34 |
| Profit before Tax | **1,292** | **1,935** |
| Profit after Tax | **530** | **883** |
| Basic and Diluted earnings per share – Rupees | 0.83 | 1.48 |

The performance of the Bank in 2025 is witness to the extraordinary commitment of our employees who supported clients, while facing their own personal challenges. Performance growth of the Bank and its continuity with reflection of improvements in all major key indicators was encouraging during the year. Our results for the year 2025 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 2025, by the grace of ALLAH SWT, BAJK had made head way towards growth and development. It has crossed many milestones like growth in deposits, advances and profitability. Tremendous achievements were made in Deposits growth, Remittances and Profit during the period under review due to result-oriented marketing strategies, tireless efforts and blended teamwork. The Bank managed to achieve the unprecedented performance by posting a record amount of operating profit of Rs. 1,380 Million by the end of December, 2025. Likewise, deposits of the Bank which stood at Rs. 40.13 Billion in December, 2024 increased to Rs.47.26 Billion by December, 2025

## ACKNOWLEDGMENT

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

May Almighty Allah bestow His blessings upon us.

For and on behalf of the Board

**Shahid Shahzad Mir**
President/CEO

# AUDITORS' REPORT

YOUSUF ADIL
PACE ALIGNED ...

Yousuf Adil
Chartered Accountants

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

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# 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, 2025, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting 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 directors' report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Yousuf Adil
Chartered Accountants

Islamabad
Date: May 22, 2026
UDIN: AR202510414OfSZb4xAi

# FINANCIAL STATEMENTS

TOGETHER WE MULTIPLY

# THE BANK OF AZAD JAMMU AND KASHMIR
# STATEMENTO F FINANCIALP OSITION
# ASA T DECEMBER31 , 2025

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | 5 | **13,462,724** | 7,402,309 |
| Balances with other banks | 6 | **31,648,226** | 16,003,937 |
| Lendings to financial institutions | | - | - |
| Investments | 7 | **5,499,102** | 18,377,198 |
| Advances | 8 | **4,995,378** | 4,319,729 |
| Property and equipment | 9 | **511,777** | 328,024 |
| Right of use asset | 10 | **217,429** | 208,025 |
| Intangible assets | 11 | - | - |
| Deferred tax assets - net | 12 | **342,773** | 263,817 |
| Other assets | 13 | **3,710,687** | 3,916,066 |
| Total Assets | | **60,388,096** | 50,819,105 |
| **LIABILITIES** | | | |
| Bills payable | 14 | **181,788** | 37,951 |
| Borrowings | | - | - |
| Deposits and other accounts | 15 | **47,265,473** | 40,129,385 |
| Lease liabilities | 16 | **256,359** | 217,501 |
| Subordinated debt | | - | - |
| Other liabilities | 17 | **2,085,214** | 3,263,715 |
| Total Liabilities | | **49,788,834** | 43,648,552 |
| NET ASSETS | | **10,599,262** | 7,170,553 |
| REPRESENTED BY | | | |
| Share capital | 18 | **10,048,507** | 5,957,089 |
| Reserves | 19 | **106,003** | 644,787 |
| (Deficit) / surplus on revaluation of financial asset at FVOCI | 20 | **(983)** | 321 |
| Unappropriated profit | | **445,735** | 568,356 |
| | | **10,599,262** | 7,170,553 |
| CONTINGENCIES AND COMMITMENTS | 21 | | |

The annexed notes 1 to 43 form an integral part of these financial statements.

**President Chief Executive** **Chief Financial Officer** **Director** **Director** **Director**

# THE BANK OF AZAD JAMMU AND KASHMIR
# STATEMENTO F FINANCIALP OSITION
# ASA T DECEMBER31 , 2025

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Mark-up / return / interest earned | 22 | **6,632,884** | 7,489,514 |
| Mark-up / return / interest expensed | 23 | **3,566,992** | 4,211,124 |
| Net mark-up / interest income | | **3,065,892** | 3,278,390 |
| NON MARK-UP / INTEREST INCOME | | | |
| Fee and commission income | 24 | **53,099** | 42,291 |
| Dividend income | | **4,569** | 10,574 |
| Other income | | **61,062** | 96,091 |
| Total non-markup / interest income | | **118,730** | 148,956 |
| Total income | | **3,184,622** | 3,427,346 |
| NON MARK-UP / INTEREST EXPENSES | | | |
| Operating expenses | 26 | **1,804,749** | 1,526,532 |
| Workers' welfare fund | | - | - |
| Other charges | | - | - |
| Total non-markup / interest expenses | | **1,804,749** | 1,526,532 |
| Profit before credit loss allowance | | **1,379,873** | 1,900,814 |
| Credit loss allowance and write offs - net - charge/(reversal) | 27 | **88,238** | (34,082) |
| PROFIT BEFORE TAXATION | | **1,291,635** | ,934,896 |
| Taxation | 28 | **761,622** | 1,051,691 |
| PROFIT AFTER TAXATION | | **530,013** | 883,205 |
| | | (Rupees in '000) | |
| Basic earning per share | 29 | **0.74** | 1.24 |
| Diluted earning per share | | **0.74** | 1.24 |

The annexed notes 1 to 43 form an integral part of these financial statements.

| President Chief Executive | Chief Financial Officer | Director | Director | Director |
|---|---|---|---|---|

# THE BANK OF AZAD JAMMU AND KASHMIR
# STATEMENTO F COMPREHENSIVEIN COME
# FOR THE YEAR ENDED DECEMBER 31, 2025

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| Profit after taxation for the year | | **530,013** | 883,205 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will not be reclassified to profit and loss account In subsequent periods:** | | | |
| Movement in deficit on revaluation of investments in equity investments net of tax | 20 | **(1,304)** | (582) |
| | | **(1,304)** | (582) |
| **Total comprehensive income** | | **528,709** | 882,623 |

The annexed notes 1 to 43 form an integral part of these financial statements.

President Chief Executive | Chief Financial Officer | Director | Director | Director

# THE BANK OF AZAD JAMMU AND KASHMIR
## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED DECEMBER 31, 2025

| Description | Share capital | Statutory Reserve | Surplus/(Deficit) on revaluation of Investment | Unappropriated Profit | Total |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| **Balance as at January 01, 2024** | **5,528,621** | **468,146** | **903** | **290,260** | **6,287,930** |
| Profit after taxation for the year ended December 31, 2024 | - | - | - | 883,205 | 883,205 |
| Other comprehensive income - net of tax | - | - | (582) | - | (582) |
| Transfer to statutory reserve | - | 176,641 | - | (176,641) | - |
| Transactions with owners, recorded directly in equity | - | - | - | - | - |
| Issue of Bonus Shares | 428,468 | - | - | (428,468) | - |
| **Balance as at January 01, 2025** | **5,957,089** | **644,787** | **321** | **568,356** | **7,170,553** |
| Profit after taxation for the year ended December 31, 2025 | - | - | - | 530,013 | 530,013 |
| Other comprehensive income - net of tax | - | - | (1,304) | - | (1,304) |
| Transfer to statutory reserve | - | 106,003 | - | (106,003) | - |
| Transactions with owners, recorded directly in equity | - | - | - | - | - |
| Issue of Bonus Shares | 1,191,418 | (644,787) | - | (546,631) | - |
| Issue against Cash Consideration | 2,900,000 | - | - | - | 2,900,000 |
| **Balance as at December 31, 2025** | **10,048,507** | **106,003** | **(983)** | **445,735** | **10,599,262** |

**President Chief Executive** **Chief Financial Officer** **Director** **Director** **Director**

# THE BANK OF AZAD JAMMU AND KASHMIR
# STATEMENTO F FINANCIALP OSITION
# ASA T DECEMBER31 , 2025

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Profit before taxation** | | **1,291,635** | 1,934,896 |
| Less: Dividend income | | **-4,569** | -10,574 |
| | | **1,287,066** | 1,924,322 |
| Adjustments: | | | |
| Net mark-up / interest income | | **(3,107,914)** | -3,278,390 |
| Depreciation on property and equipment | 9.2 | **68,747** | 59,096 |
| Depreciation on right-of-use assets | | **54,533** | 46,507 |
| Finance charges on leased assets | 23 | **42,022** | 39,000 |
| Credit loss allowance and write offs | 27 | **88,238** | (34,082) |
| Provision for gratuity | | **44,606** | 47,095 |
| Provision for leave encashment | | **51,419** | 15,207 |
| Provision for bonus | | **87,863** | 90,258 |
| Staff loans - deferred cost unwinding | | **37,408** | 47,838 |
| Gain on sale of property and equipment | | **-** | (17,245) |
| | | **(2,633,078)** | (2,984,716) |
| | | **1,346,012** | 1,060,394 |
| Decrease / (Increase) in operating assets | | | |
| Advance | | **(801,295)** | (785,957) |
| Others assets (excluding advance taxation) | | **(167,196)** | (1,216) |
| | | **(968,491)** | (787,173) |
| Increase / (decrease) in operating liabilities | | | |
| Bills payable | | **143,837** | (55,308) |
| Deposits | | **7,136,088** | 15,984,720 |
| Other liabilities (excluding current taxation) | | **(256,077)** | 4,355 |
| | | **7,023,848** | 15,933,767 |
| Payment against Interest expense on lease liability | | **(42,022)** | (39,000) |
| Bonus Paid | | **(34,263)** | - |
| Income tax paid | | **(991,943)** | (502,831) |
| Interest received | | **7,005,459** | 6,331,821 |
| Interest paid | | **(4,445,654)** | (3,462,747) |
| Net cash flow generated from operating activities | | **6,200,922** | 16,413,443 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Net divestments / (investments) in amortized cost securities | | **12,876,792** | (17,346,622) |
| Dividend received | | **4,569** | 10,574 |
| Net (investments in) / proceeds from placement with banks | | **(17,255,849)** | 5,441,303 |
| Investments in property and equipment | | **(252,500)** | (105,061) |
| Disposal of property and equipment | | **-** | 17,348 |
| Net cash flow used in investing activities | | **(4,626,988)** | (11,982,458) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Payment of lease liability against right-of-use assets | | **(25,079)** | 63,450) |
| Issue of share capital | | **2,900,000** | - |
| Net cash flow from financing activities | | **2,874,921** | (63,450) |
| Increase in cash and cash equivalents | | **4,448,855** | 4,367,535 |
| Cash and cash equivalents at beginning of the year | | **12,071,089** | 7,703,554 |
| Cash and cash equivalents at end of the year | 30 | **16,519,944** | 12,071,089 |

**President Chief Executive** | **Chief Financial Officer** | **Director** | **Director** | **Director**

THE BANK OF AZAD JAMMU AND KASHMIR
NOTES TO THE FINANCIAL STATEMENTS
FORT HEV EARE NDEDD ECEMBER3 1, 2025

# 1 STATUS AND NATURE OF BUSINESS

1.1 The Bank of Azad Jammu and Kashmir (the Bank) is a public unlisted Bank which was incorporated in 2006 under the Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir own 100 percent of ordinary shares of the Bank as on December 31, 2025 (2024: 100%) respectively.

1.2 The Bank has 89 branches (2024: 87 branches) in Azad Jammu and Kashmir.

# 2 BASIS OF PRESENTATION

These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated February 09, 2023 and related directives and notifications issued by the SBP from time to time.

The Bank has prepared its unconsolidated financial statements on the basis that it will continue to operate as a going concern.

## 2.1 STATEMENT OF COMPLIANCE

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

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

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

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP).

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

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies till further instructions. Moreover, SBP vide BPRD Circular no. 4 of 2015, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

## 2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations to existing accounting and reporting standards that are mandatory for the Bank's accounting periods beginning on or after January 01, 2025 but are considered not to be relevant or do not have any material effect on the Bank's operations and are therefore not detailed in these financial statements.

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

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

The following are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2026 but are considered not to be relevant or will not have any material effect on the Bank's financial statements other than certain additional disclosures:

| **Standards, Interpretations or Amendments** | **Effective date (Annual periods beginning on or after)** |
|---|---|
| IFRS 7 - Financial Instruments: Disclosures | 01-Jan-26 |
| Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial instruments | 01-Jan-26 |
| Annual Improvements to IFRS Accounting Standards (related to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7) | 01-Jan-26 |
| Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Contracts Referencing Nature-dependent Electricity | 01-Jan-26 |
| IFRS 17 - Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17) | 01-Jan-26 |
| IFRS 18 - Presentation and Disclosures in Financial Statements | 01-Jan-27 |
| IFRS 19 - Subsidiaries without Public Accountability: Disclosures | 01-Jan-27 |

### 2.4 Use of critical accounting estimates and judgments

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

i) Classification and expected credit allowance against investment (note 4.3).
ii) Impairment of financial assets (note 4.1.6).
iii) Valuation and impairment of available for sale securities (note 4.3.5).
iv) Useful life/depreciation of property and equipment (note 4.5) and valuation of right of use asset and lease liability (note 4.7).
v) Current and deferred taxation (note 4.10).

## 3 BASIS OF MEASUREMENT

### 3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention, except that;

- Investments classified at FVOCI are measured at fair value.
- Right-of-use assets and their related lease liabilities are measured at their present value adjusted for - depreciation, interest cost and lease repayments.
- Net obligation in respect of defined benefit scheme is measured at their present value.

### 3.2 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

The amounts are rounded to the nearest thousand rupees except as stated otherwise.

## 4 MATERIAL ACCOUNTING POLICY INFORMATION

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

### 4.1 FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include Cash and balances with treasury banks, Balances with other banks, Lending to financial institutions, Investments, Advances, certain Other assets, Bills payable, Borrowings, Deposits, Subordinated debt and certain Other liabilities.

**4.1.1 Initial recognition**

**Date of initial recognition**

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

**Initial measurement**

On initial recognition, financial assets and financial liabilities at fair value through profit or loss (FVTPL) are initially measured at their fair value. The initial measurement of other financial instruments is based on their fair value, but adjusted in respect of any transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument. Other assets and Other liabilities are measured at the transaction price.

**4.1.2 MEASUREMENT CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES**

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

- Financial assets at amortized cost
- Debt instruments at 'fair value through other comprehensive income' FVOCI
- Equity instruments at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL

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

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

**4.1.2.1 Financial assets at amortized cost**

The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

**The details of these conditions are outlined below:**

a) Business model assessment

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

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's Board / Board Committees;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment.

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

b) The SPPI test

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

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

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

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

#### 4.1.2.2 Debt instruments at FVOCI

The Bank applies this category when both of the following conditions are met:

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income at EIR and foreign exchange gains and losses are recognised in the profit and loss account.

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

Market value of investment in Government securities is determined based on the relevant PKRV, PKFRV and PKISRV rates / price.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit and loss account.

#### 4.1.2.3 Equity instruments at FVOCI

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

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

#### 4.1.2.4 Financial assets and financial liabilities at FVTPL

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

- held for trading, that is, they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking, or

- not held for trading and have been either designated by management upon initial recognition, or mandatorily required to be measured at fair value under IFRS 9.

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

**4.1.2.5 Financial liabilities at amortised cost**

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

**4.1.2.6 Debt issued and other borrowed funds**

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

**4.1.3 Derecognition of financial assets**

**4.1.3.1 Derecognition due to substantial modification of terms and conditions**

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

**4.1.3.2 Derecognition other than due to substantial modification of terms and conditions**

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

The difference between the carrying value (including impairment) of a financial asset and the consideration received is recognized in profit and loss account.

**4.1.4 Derecognition of financial liabilities**

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

### 4.1.5 Write-offs

Financial assets are written off when there is no realistic prospect of recovery. The amount so written-off is a book entry and does not necessarily prejudice the Bank's right of recovery against the defaulter.

### 4.1.6 Impairment of financial assets

#### 4.1.6.1 Overview of the ECL principles

The Bank takes a forward-looking approach to recognize the allowance for expected credit losses for all advances and other debt financial assets held at amortised cost or FVOCI, together with loan commitments, and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9. Under the SBP's instructions, local currency credit exposures guaranteed by the Government and Government Securities are exempted from the application of ECL.

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

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

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

Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs with PD set at 100%. Under SBP's instructions, until implementation of IFRS 9 has stabilized, Stage 3 allowance would be taken as higher of IFRS 9 ECL or provision computed under Prudential Regulations.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

### 4.1.6.2 The calculation of ECLs

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

The key elements of ECL calculations are as follows:

**PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The Bank has drawn an yearly transition matrix of ratings and DPD buckets, respectively, to compute amount based PD over the one year horizon for the last seven years. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information.

**LGD** The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD. LGDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information.

**EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments and amortization.

When estimating the ECLs, the Bank considers three scenarios (a base case, a best case, and a worse case). Each of these is associated with different PDs, EADs and LGDs. These expected probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Mechanics of the ECL method are summarized below:-

**Stage 1**

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculate s the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

**Stage 2**

When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

**Stage 3**

For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

**POCI**

POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

#### 4.1.6.3 Debt instruments measured at fair value through OCI

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

#### 4.1.6.4 Purchased or originated credit impaired financial assets (POCI)

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

#### 4.1.6.5 Forward looking information

The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent a range of scenarios linked to GDP growth, CPI, and Unemployment rate.

#### 4.1.6.6 Credit enhancements: collateral

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

Eligible collateral are those which has;

i) legal certainly and enforceability, and
ii) History of Forcibility and Recovery.

The bank has not consider any collateral as eligible for adjustment of EAD.

#### 4.1.6.7 ECL on government guaranteed credit exposure

Under the SBP's instructions, local currency credit exposures guaranteed by the Government and Government Securities are exempted from the application of ECL.

#### 4.1.6.8 Two track approach for stage 3 loans

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

#### 4.1.6.9 Credit risk management

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.

#### 4.1.6.10 PD estimation process

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises commercial, consumer secured, consumer unsecured, auto, house, agriculture and small medium enterprise loans. The Bank does not have credit score card model for consumer lending, therefore, the Bank used delinquency (day past due) based model for estimation of PDs which is based on overdue installments. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 31, 2019 till December 31, 2025 has been used for PD estimations.

#### 4.1.6.11 LGD Estimation Process

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in the calculation of LGD. Effective interest rate or approximate thereof has been used to discount recoveries to date of default. Data from January 31, 2019 till date has been used for LGD estimations for the parties classified as default till December 31, 2025.

#### 4.1.6.12 Definition of Default

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments, except for agricultural loans which are considered defaulted at 365 days past due. The Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate:

#### 4.1.6.13 Forward looking information:

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

## 4.2 CASH AND CASH EQUIVALENTS

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

## 4.3 INVESTMENTS

### 4.3.1 Classification

Held for trading

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

**Held to maturity**

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

**Available for sale**

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

### 4.3.2 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.

### 4.3.3 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.

### 4.3.4 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.

### 4.3.5 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.

## 4.4 ADVANCES

Advances are stated net of ECL. The ECL against advances are made in accordance with the requirements of IFRS 9 and other directives issued by the State Bank of Pakistan and are charged to the profit and loss account. Non-performing loans and advances in respect of which the Bank does not expect any recoveries in future years are written off.

## 4.5 PROPERTY EQUIPMENTS, INTANGIBLES AND DEPRECIATION

**Capital work-in-progress**

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

**Tangible assets**

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

**Depreciation**

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

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

## 4.6 Intangible assets

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

## 4.7 Right-of-use assets and related lease liability

### 4.7.1 Right of use assets

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

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

### 4.7.2 Lease liability against right-of-use assets

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

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

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

## 4.8 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.

## 4.9 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.

## 4.10 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 recognised 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.

## 4.11 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 makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

## 4.12 REVENUE RECOGNITION

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognised:

### 4.12.1 Advances and investments

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.

#### 4.12.2 Dividend income

Dividend income is recognised when the right to receive the dividend is established.

#### 4.12.3 Fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

#### 4.12.4 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.

### 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

(a) 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.

(b) 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.

(c) Payment and settlement

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

(d) 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 ACCEPTANCES

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as on balance sheet financial assets and financial liabilities.

### 4.18 EARNING PER SHARE

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

## 5 CASH AND BALANCES WITH TREASURY BANKS

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| In hand | | | |
| - Local currency | | | |
| With National Bank of Pakistan in | | | |
| - Local currency current account | | 115,361 | 50,231 |
| - Local currency deposit account | 5.1 | 1,423,004 | 80,589 |
| - Local currency term deposit account | 5.2 | 11,350,000 | 6,750,000 |
| | | 12,888,365 | 6,880,820 |
| Prize bonds | | 6 | - |
| | | 13,462,724 | 7,402,309 |
| Less: Credit loss allowance held against cash and balances with treasury banks | | - | - |
| Cash and balances with treasury banks - net of credit loss allowance | | 13,462,724 | 7,402,309 |

5.1 This represents deposit accounts carrying markup rates of 8.5% (2024:12% to 19%) per annum .

5.2 This represents term deposits carrying markup rates ranging from 9.75% to 11.10% (2024: 15.25% to 20.85%) per annum having maturities within one year.

5.3 Casha nd balancesw ith treasury banksa re all classifieda sS tage1 .

## 6 BALANCEWS ITH OTHERB ANKS

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| In Pakistan | | | |
| - In current accounts - Local currency | | 1,250,844 | 73,980 |
| - In deposit account - Local currency | 6.1 & 6.2 | 30,397,382 | 15,929,957 |
| | | 31,648,226 | 16,003,937 |
| Less: Credit loss allowance held against balances with other banks | | - | - |
| Balances with other banks - net of credit loss allowance | | 31,648,226 | 16,003,937 |

6.1 This includes saving deposit accounts amounting Rs. 4,496,382 thousands (2024: Rs. 1,439,800 thousands) carrying markup rates ranging from 2.56% to 11% (2024: 12% to 20%} per annum.

6.2 This includes term deposits carrying markup at rates ranging between 10.05% to 22.50% (2024: 11.61% to 23.49%) per annum. Term deposits have maturities ranging from 3 months to 1 year except for two term deposits amounting to Rs. 500,000 thousand and Rs. 1,200,000 thousand placed with a bank maturing in 2029 and 2032 respectively, which are measured using effective interest rate method.

6.3 Balancesw ith other banksa re all classifieda s Stage1 .

## 7 INVESTMENTS

### 7.1 INVESTMENTS BY TYPE

| | 2025 | | | |
|---|---|---|---|---|
| | **Fair Value / Amortised cost** | **Credit loss Allowance** | **Surplus /(Deficit)** | **Carrying Value** |
| Debt Instruments | (Rupees in '000) | | | |
| Classified / Measured at amortised cost | | | | |
| Federal Government securities | | | | |
| - Market Treasury Bills | **5,446,193** | - | **-** | 5,446,193 |
| Non Government Debt securities | **49,940** | (49,940) | **-** | - |
| - Term Finance Certificates | **5,496,133** | (49,940) | **-** | 5,446,193 |
| Equity instruments | | | | |
| Classified / Measured at FVOCI | | | | |
| Units of open ended mutual funds | **5,5000** | (49,940) | **(2,091)** | 52,909 |
| Total Investments | **5,551,133** | (49,940) | **(2,091)** | 5,499,102 |

| | | | | |
|---|---|---|---|---|
| Debt Instruments | | | | |
| Classified / Measured at amortised cost | | | | |
| Federal Government securities | | | | |
| - Market Treasury Bills | **18,321,499** | - | **-** | 18,321,499 |
| Non Government Debt securities | **49,940** | (49,940) | **-** | - |
| - Term Finance Certificates | **18,371,439** | (49,940) | **-** | 18,321,499 |
| Equity instruments | | | | |
| Classified / Measured at FVOCI | | | | |
| Units of open ended mutual funds | **55,000** | - | **699** | 55,699 |
| Total Investments | **18,426,439** | (49,940) | **699** | 18,377,198 |

7.2 INVESTMENTS BY SEGMENTS

| | 2025 | | | |
|---|---|---|---|---|
| | Fair Value / Amortised cost | Credit loss Allowance | Surplus /(Deficit) | Carrying Value |
| | (Rupees in '000) | | | |
| Federal Government securities | | | | |
| - Market Treasury Bills | 5,446,193 | - | - | 5,446,193 |
| Non Government Debt securities | | | | |
| - Term Finance Certificates | 49,940 | (49,940) | - | - |
| Units of open ended mutual funds | 55,000 | - | (2,091) | 5,2909 |
| Total Investments | 5,551,133 | (49,940) | (2,091) | 5,499,102 |

| | 2025 | | | |
|---|---|---|---|---|
| | Fair Value / Amortised cost | Credit loss Allowance | Surplus /(Deficit) | Carrying Value |
| | (Rupees in '000) | | | |
| Federal Government securities | | | | |
| - Market Treasury Bills | 18,321,499 | - | - | 18,321,499 |
| Non Government Debt securities | | | | |
| - Term Finance Certificates | 49,940 | (49,940) | - | - |
| Units of open ended mutual funds | 55,000 | - | 699 | 55,699 |
| Total Investments | 18,426,439 | (49,940) | 699 | 18,377,198 |

| Investments - exposure | 2025 | | |
|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 |
| | (Rupees in '000) | | |
| Opening balance | - | - | 49,940 |
| New investments | - | - | - |
| Investments derecognised or repaid | - | - | - |
| Transfer to stage 1 | - | - | - |
| Transfer to stage 2 | - | - | - |
| Transfer to stage 3 | - | - | - |
| | - | - | - |
| Amounts written off / charged Off | - | - | - |
| Closing balance | - | - | 49,940 |

| | 2024 | | |
|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 |
| | (Rupees in '000) | | |
| Opening balance | - | - | 49,940 |
| New investments | - | - | - |
| Investments derecognised or repaid | - | - | - |
| Transfer to stage 1 | - | - | - |
| Transfer to stage 2 | - | - | - |
| Transfer to stage 3 | - | - | - |
| | - | - | - |
| Amounts written off / charged Off | - | - | - |
| Closing balance | - | - | 49,940 |

### 7.3.2 Investments - Credit loss allowance

| | 2025 | | |
|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 |
| | (Rupees in '000) | | |
| Opening balance | - | - | **49,940** |
| New investments | - | - | - |
| Investments derecognised or repaid | - | - | - |
| Transfer to stage 1 | - | - | - |
| Transfer to stage 2 | - | - | - |
| Transfer to stage 3 | - | - | - |
| | - | - | - |
| Amounts written off / charged Off | - | - | - |
| Closing balance | - | - | **49,940** |

### 7.3.3 Particulars of credit loss allowance against debt securities

| Particulars | Stage | 2025 Outstanding amount | 2025 Credit loss allowance held | 2024 Outstanding amount | 2024 Credit loss allowance held |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Performing | Stages 1 | - | - | - | - |
| Underperforming | Stages 2 | - | - | - | - |
| Non-Performing | Stages 3 | - | - | - | - |
| Substandard | | - | - | - | - |
| Doubtful | | - | - | - | - |
| Loss | | **49,940** | **(49,940)** | **49,940** | (49,940) |
| Total | | **49,940** | **(49,940)** | **49,940** | (49,940) |

7.3.4 Debt securities amounting to Rs. 5,466.193 million (2024: Rs. 18,321 million) pertains to government securities that are exempt for the calculation of ECL by the SBP.

7.4 Qualityo f fair value througho ther comprehensiveln come( FVOCI)s ecurities
Details regarding quality of securities held under "Held to Collect and Sell" model are as follows;

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| | Cost | |
| Equity securities | | |
| - Units of open ended mutual funds - Unlisted | **55,000** | 55,000 |
| | **55,000** | 55,000 |

7.5 Particulars relating to securities classified Under "Held to Collect" model
Detail regarding quality of securities held under "held to collect" model are as follows:

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| | Cost | |
| Federal government securities - Government guaranteed | | |
| - Market Treasury Bills | **5,446,193** | 18,321,499 |
| | **5,446,193** | 18,321,499 |

7.5.1 The market value of securities classified under HTC as at December 31, 2025 amounted to Rs. 4,451 million (December)

## 8 ADVANCES

| | Performing | | Non Performing | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2024 | 2025 |
| | (Rupees in '000) | | | | | |
| | 4,972,037 | 4,290,126 | 283,344 | 201,368 | 5,255,381 | 4,491,494 |
| Loans, cash credits, running finances, etc | 4,972,037 | 4,290,126 | 283,344 | 201,368 | 5,255,381 | 4,491,494 |
| Advances - gross | | | | | | |
| Credit loss allowance against advances | | | | | | |
| -Stage 1 | (6,640) | (69) | - | - | (6,640) | (69) |
| -Stage 2 | (20,867) | (5,610) | - | - | (20,867) | (5,610) |
| -Stage 3 | - | - | (232,496) | (166,086) | (232,496) | (166,086) |
| | (27,507) | (5,679) | (232,496) | (166,086) | (260,003) | (171,765) |
| Advances - net of credit loss allowance | 4,944,530 | 4,284,447 | 50,848 | 35,282 | 4,995,378 | 4,319,729 |

## 8.1 PARTICULARS OF ADVANCES (GROSS)

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| | 5,255,381 | 4,491,494 |

## 8.2 PARTICULARS OF CREDIT LOSS ALLOWANCE:

### 8.2.1 Advances - Exposure

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| | (Rupees in '000) | | | | | |
| Opening Balance | 4,202,096 | 88,030 | 201,368 | - | - | - |
| Impact of adoption of IFRS 9 | - | - | - | 3,716,965 | 88,537 | 598,884 |
| Balance as at 1st January | 4,202,096 | 88,030 | 201,368 | 3,716,965 | 88,537 | 598,884 |
| New advances | 3,323,223 | 147,862 | 10,326 | 976,740 | 2,508 | - |
| Advances derecognised or repaid | (1,207,972) | (17,125) | (25,098) | (841,343) | 21,722 | (53,612) |
| Transfer to stage 1 | 26,493 | (15,983) | (10,510) | 391,429 | (24,100) | (367,329) |
| Transfer to stage 2 | (255,971) | 257,540 | (1,569) | (62,250) | 75,134 | (12,884) |
| Transfer to stage 3 | (138,093) | (9,800) | 147,893 | (66,211) | (7,976) | 74,187 |
| | 1,747,680 | 362,494 | 121,042 | 398,365 | 67,288 | (359,638) |
| Amounts written off / charged off | - | - | (284) | - | - | (129) |
| Changes in risk parameters (PDs/LGDs/EADs) | (1,313,987) | (114,276) | (38,782) | 86,766 | (67,795) | (37,749) |
| Closing balance | 4,635,789 | 336,248 | 283,344 | 4,202,096 | 88,030 | 201,368 |

No originallyc redit impairedf inanciala sseth asb eenp urchasedd uringt he year( 2024:N il).

## 8.2.2 Advances - Credit loss allowance

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| | (Rupees in '000) | | | | | |
| Opening Balance | 69 | 5,610 | 166,086 | - | - | - |
| Impact of adoption of IFRS 9 | - | - | - | 24,593 | 7,634 | 173,749 |
| Balance as at 1st January | 69 | 5,610 | 166,086 | 24,593 | 7,634 | 173,749 |
| New advances | 18,597 | - | - | 16 | 286 | - |
| Advances derecognised or repaid | (14) | (1,113) | (13,496) | (6,966) | (792) | 9,305 |
| Transfer to stage 1 | 8,626 | (2,163) | (6,463) | 23,537 | (3,708) | (19,829) |
| Transfer to stage 2 | (14) | 439 | (425) | (12,263) | 14,351 | (2,088) |
| Transfer to stage 3 | (7) | (631) | 638 | (1,372) | (1,095) | 2,467 |
| | 27,188 | (3,468) | (19,746) | 2,952 | 9,042 | (10,145) |
| Changes in risk parameters (PDs/LGDs/EADs) | (20,617) | 18,725 | 86,440 | (27,476) | (11,066) | 2,353 |
| Amounts written off / charged off | | | (284) | | | 129 |
| Closing balance | 6,640 | 20,867 | 232,496 | 69 | 5,610 | 166,086 |

## 8.2.3 Advances - Credit loss allowance details Internal/ External rating/ stage classIflcation

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| | (Rupees in '000) | | | | | |
| Outstanding gross exposure | | | | | | |
| Performing - Stage 1 | 4,635,789 | - | - | 4,202,096 | - | - |
| Under Performing - Stage 2 | - | 336,248 | - | - | 88,030 | - |
| Non-perfroming - Stage 3 | | | | | | |
| OAEM | - | - | 2,064 | - | - | 7,497 |
| Substandard | - | - | 76,087 | - | - | 35,289 |
| Doubtful | - | - | 19,592 | - | - | 5,097 |
| Loss | - | - | 185,601 | - | - | 153,485 |
| | - | - | 283,344 | - | - | 201,368 |
| Total | 4,635,789 | 336,248 | 283,344 | 4,202,096 | 88,030 | 201,368 |
| Corresponding ECL | | | | | | |
| Stage 1 and stage 2 | (6,640) | (20,867) | - | (69) | (5,610) | - |
| Stage 3 | - | - | (232,496) | - | - | (166,086) |
| | 4,629,149 | 315,381 | 50,848 | 4,202,027 | 82,419 | 35,282 |

8.3 Advances include Rs. 282,266 thousand (2024: Rs 201,386 thousand) which have been placed under non-performing / stage 3 status as detailed below:-

| Category of classification in stage 3 | 2025 Non Performing Loans | 2025 Credit Loss Allowance | 2024 Non Performing Loans | 2024 Credit Loss Allowance |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Domestic | | | | |
| Other Assets Especially Mentioned (OAEM) | 2,064 | 728 | 7,497 | 1,331 |
| Substandard | 76,087 | 27,982 | 35,289 | 9,475 |
| Doubtful | 19,592 | 10,480 | 5,097 | 2,586 |
| Loss | 185,601 | 193,306 | 153,485 | 152,694 |
| Total | 283,344 | 232,496 | 201,368 | 166,086 |

8.4 Particulars of credit loss allowance against advances

| | 2025 Stage 1 | 2025 Stage 2 | 2025 Stage 3 | 2024 Stage 1 | 2024 Stage 2 | 2024 Stage 3 |
|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | |
| Opening Balance | | | | | | |
| Impact of adoption of IFRS 9 | 166,086 | 5,679 | 171,765 | 173,749 | 32,227 | 205,976 |
| Balance as at 1st January | 166,086 | 5,679 | 171,765 | 173,749 | 32,227 | 205,976 |
| Charge for the year | 66,694 | 21,828 | 88,522 | - | - | - |
| Reversals | - | - | - | (7,663) | (26,548) | (34,211) |
| | 66,694 | 21,828 | 88,522 | (7,663) | (26,548) | (34,211) |
| Amounts written off | (284) | - | (284) | - | - | - |
| Closing balance | 232,496 | 27,507 | 260,003 | 166,086 | 5,679 | 171,765 |

8.4.1 Particulars of credit loss allowance against advances

| | 2025 Stage 1 | 2025 Stage 2 | 2025 Stage 3 | 2024 Stage 1 | 2024 Stage 2 | 2024 Stage 3 |
|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | |
| In local currency | 232,496 | 27,507 | 260,003 | 166,086 | 5,679 | 171,765 |
| | 232,496 | 27,507 | 260,003 | 166,086 | 5,679 | 171,765 |

8.5 PARTICULARS OF WRITE OFFS:

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Against credit loss allowance . | (284) | - |
| Directly charged to profit and loss account | - | 129 |
| | (284) | 129 |
| Write offs of Rs. 500,000 and above | - | - |
| Write offs of Below Rs. 500,000 | (284) | 129 |
| | (284) | 129 |

## 9 PROPERTY AND EQUIPMENT NOTE

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Capital work-in-progress | | **224,758** | 17,653 |
| Property and equipment | 9.1 | **287,019** | 310,371 |
| | 9.2 | **511,777** | 328,024 |

## 9.1 CAPITAL WORK-IN-PROGRESS

| | 2025 | 2024 |
|---|---|---|
| Advances to suppliers | **224,758** | 17,653 |

## 9.2 PARTICULARS OF CREDIT LOSS ALLOWANCE AGAINST ADVANCES

| | 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Freehold land | Building on freehold land | Leasehold improvements | Furniture and improvement | Office equipment | Coumputer | Vehicles | Total |
| | (Rupees in '000) | | | | | | | |
| At January 1, 2025 | | | | | | | | |
| Cost | 69,085 | 15,120 | 136,626 | 159,588 | 76,515 | 107,073 | 68,307 | 632,314 |
| Accumulated depreciation | - | (13,832) | (81,190) | (91,870) | (41,079) | (58,989) | (34,983) | (321,943) |
| Net book value | 69,085 | 1,288 | 55,436 | 67,718 | 35,436 | 48,084 | 33,324 | 310,371 |
| Year ended December 2025 | | | | | | | | |
| Opening net book value | 69,085 | 1,288 | 55,436 | 67,718 | 35,436 | 48,084 | 33,324 | 310,371 |
| Additions | - | - | 9,925 | 8,871 | 8,349 | 10,550 | 7,700 | 45,395 |
| Diposals | | | | | | | | - |
| Cost | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - |
| Depreciatino charge | - | (1,217) | (17,279) | (12,721) | (10,243) | (14,718) | (12,569) | (68,747) |
| Closing net book value | 69,085 | 71 | 48,082 | 63,868 | 33,542 | 43,916 | 28,455 | 287,019 |
| At December 31, 2025 | | | | | | | | |
| Cost | 69,085 | 15,120 | 146,551 | 168,459 | 84,864 | 117,623 | 76,007 | 677,709 |
| Accumulated depreciation | - | (15,049) | (98,469) | (104,591) | (51,322) | (73,707) | (47,552) | (390,690) |
| Net Book value | 69,085 | 71 | 48,082 | 63,868 | 33,542 | 43,916 | 28,455 | 287,019 |
| Rate of dericeation (%) | - | 10% | 20% | 10% - 20% | 20% | 20% | 20% | |

| | 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Freahold land | Building on freehold land | Leasehold improvements | Furniture and improvement | Office equipment | Coumputer | Vehicles | Total |
| | (Rupees in '000) | | | | | | | |
| At January 1, 2024 | | | | | | | | |
| Cost | 69,085 | 15,120 | 111,271 | 138,162 | 58,460 | 84,215 | 80,967 | 557,280 |
| Accumulated depreciation | - | (13,563) | (66,553) | (79,551) | (33,753) | (46,231) | (36,357) | (276,008) |
| Net book value | 69,085 | 1,557 | 44,718 | 58,611 | 24,707 | 37,984 | 44,610 | 281,272 |
| Year ended December 2024 | | | | | | | | |
| Opening net book value | 69,085 | 1,557 | 44,718 | 58,611 | 24,707 | 37,984 | 44,610 | 281,272 |
| Additions | - | - | 25,355 | 21,895 | 18,167 | 22,858 | - | 88,275 |
| Diposals | | | | | | | | - |
| Cost | - | - | - | (469) | (112) | - | (12,660) | (13,241) |
| Accumulated depreciation | - | - | - | 389 | 112 | - | 12,660 | 13,161 |
| Depreciatino charge | - | (269) | (14,637) | (12,708) | (7,438) | (12,758) | (11,286) | (59,096) |
| Closing net book value | 69,085 | 1,288 | 55,436 | 67,718 | 35,436 | 48,084 | 33,324 | 310,371 |
| At December 31, 2024 | | | | | | | | |
| Cost | 69,085 | 15,120 | 136,626 | 159,588 | 79,515 | 107,073 | 68,307 | 632,314 |
| Accumulated depreciation | - | (13,832) | (81,190) | (91,870) | (41,079) | (58,989) | (34,983) | (321,943) |
| Net Book value | 69,085 | 1,288 | 55,436 | 67,718 | 38,436 | 48,084 | 33,324 | 310,371 |
| Rate of dericeation (%) | - | 10% | 20% | 10% - 20% | 20% | 20% | 20% | |

9.3 Property and equipment Includes cost of Rs. 5,485 thousand (2024: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2024: Rs. 5,485 thousand) In respect of assets donated by the Government of Azad Jammu and Kashmir.

9.4 The total cost includes fixed assets of Rs. 227,845 thousand (2024: Rs. 149,739 thousand) having zero book value on which no depreciation was charged during the year.

9.5 Detail of disposals of operating fixed assets There were no disposals of operating fixed assets during the year ended December 31, 2025. The details of disposals during the comparative year 2024 are as follows:

| | Cost | Accumulated Depreciation | Book value | Sale Proceeds |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Particulars of assets | | | | |
| 2024 | | | | |
| Vehicles | 12,660 | (12,660) | - | 17,245 |
| Furniture and fixture | 469 | (389) | 80 | 102 |
| Office equipment | 112 | (112) | | 1 |
| Total | 13,241 | (13,161) | 80 | 17,348 |

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

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

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Buildings & Lease hold improvements | | |
| Furniture and fixtures | **61,753** | 35,896 |
| Office equipments | **30,494** | 20,076 |
| Computer equipments | **37,872** | 37,871 |
| Vehicles | **26,286** | 24,537 |
| Leasehold improvements | **55,700** | 27,104 |
| Building on Freehold land | **15,740** | 4,255 |
| Total | **227,845** | 149,739 |

## 10 RIGHT-OF-USAES SETS

| | 2025 | 2024 |
|---|---|---|
| As at January 1, | (Rupees in '000) | |
| Cost | **402,552** | 288,629 |
| Accumulated depreciation | **(194,527)** | (148,020) |
| Net carrying amount at January 1, | **208,025** | 140,609 |
| Addition during the year | **63,937** | 113,923 |
| Deletion during the year | **-** | - |
| Depreciation charge during the year | **(54,533)** | (46,507) |
| Net carrying amount | **217,429** | 208,025 |

## 11 INTANGIBLEA SSETS

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

## 12 DEFERRED TAX ASSETS

| | 2025 | | | |
|---|---|---|---|---|
| | At January 01, 2025 | Recognised in P&L A/C | Recognised in OCI | At December 31, 2025 |
| | (Rupees in '000) | | | |
| **Deductible temporary differences on** | | | | |
| - Credit loss allowance against other assets | 2,600 | (48) | - | 2,552 |
| - Provision against customer claims | 9,003 | 5,919 | - | 14,922 |
| - Deficit on revaluation of investments | (378) | - | 1,486 | 1,108 |
| - Lease liabilities | 117,451 | 18,420 | - | 135,871 |
| - Credit loss allowance against balances with Banks | 146,267 | 103,797 | - | 250,064 |
| - Credit loss allowance against advances, off balance sheet etc. | 97,902 | (58,469) | - | 39,433 |
| | 372,845 | 69,619 | 1,486 | 443,950 |
| | 372,845 | 69,619 | 1,486 | 443,950 |
| **Taxable temporary differences on** | | | | |
| - Accelerated tax depreciation | (109,028) | 7,851 | - | (101,177) |
| | (109,028) | 7,851 | - | (101,177) |
| | 263,817 | 77,470 | 1,486 | 342,773 |

| | At January 01, 2024 | IFRS - 09 Transition Impacts | Recognised in P&L A/C | Recognised in OCI | At December 31, 2024 |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| **Deductible temporary differences on** | | | | | |
| -Credit loss allowance against other assets | 2,359 | - | 241 | - | 2,600 |
| -Provision against customer claims | 8,169 | - | 834 | - | 9,003 |
| -Deficit on revaluation of investments | (868) | - | - | 490 | (378) |
| -Lease liabilities | 81,844 | - | 35,607 | - | 117,451 |
| -Credit loss allowance against balances with Banks | - | 172,289 | (26,022) | - | 146,267 |
| - Credit loss allowance against advances, off balance sheet etc. | 1,909 | (4,185) | 100,178 | - | 97,902 |
| | 93,413 | 168,104 | 110,838 | 490 | 372,845 |
| **Taxable temporary differences on** | | | | | |
| - Accelerated tax depreciation | (61,429) | - | (47,599) | - | (109,028) |
| | (61,429) | - | (47,599) | - | (109,028) |
| | 31,984 | 168,104 | 63,239 | 490 | 263,817 |

## 13 OTHER ASSETS

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Income/ mark-up accrued in local currency | **3,158,324** | 3,530,899 |
| Advances, deposits, advance rent and other prepayments | **26,196** | 11,790 |
| Stationery and stamps in hand | **16,363** | 12,240 |
| Deferred benefit on staff loans | **421,768** | 352,253 |
| | **92,851** | 13,699 |
| | **3,715,502** | 3,920,881 |
| Less: Credit loss allowance held against other assets | **(4,815)** | (4,815) |
| Other assets - Total | **3,710,687** | 3,916,066 |

13.1 This represents notional deferred cost recognised upon fair valuation of subsidised staff loans in accordance with the requirements of IFRS9.

### 13.2 Credit loss allowanc held against other assets

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Receivable from Kashmir Council | 13.2.1 | **4,815** | 4,815 |

13.2.1 Movement In credit loss allowance held against other assets

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Opening balance | **4,815** | 4,815 |
| Charge for the year | **-** | - |
| Reversals | **-** | - |
| Amount written off | **-** | - |
| Closing balance | **4,815** | 4,815 |

## 14 BILLS PAYABLE

| | 2025 | 2024 |
|---|---|---|
| In Pakistan | **181,788** | 37,951 |

## 15 DEPOSITS AND OTHER ACCOUNTS

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| | (Rupees in '000) | | | | | |
| Customers | 7,748,022 | - | 7,748,022 | 6,902,519 | - | 6,902,519 |
| Current deposits | 31,275,410 | - | 31,275,410 | 16,089,158 | - | 16,089,158 |
| Savings deposits | 8,100,020 | - | 8,100,020 | 16,994,568 | - | 16,994,568 |
| Term deposits | 142,021 | - | 142,021 | 143,140 | - | 143,140 |
| Others | 47,265,473 | - | 47,265,473 | 40,129,385 | - | 40,129,385 |

### 15.1 Composition of deposits

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| - Individuals | | 18,458,922 | 15,629,115 |
| - Government | | 28,501,987 | 24,195,706 |
| - Private sector | | 304,564 | 304,564 |
| | | 47,265,473 | 40,129,385 |

## 16 LEASE LIABILITIES

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Outstanding amount at the start of the year | 16.1 & 16.2 | 217,501 | 167,028 |
| Additions during the year | | 73,751 | 113,923 |
| Modification during the year | | - | - |
| Adjustments / termination during the year | | - | - |
| Lease payments including interest | | (76,915) | (102,450) |
| Interest expense | | 42,022 | 39,000 |
| Outstanding amount at the end of the year | | 256,359 | 217,501 |

### 16.1 Contactual maturity of lease laibilities

| | | |
|---|---|---|
| Not later than one year | 63,332 | 63,332 |
| Later than one year and upto five years | 123,368 | 123,368 |
| Over five years | 30,801 | 30,801 |
| Total at the year end | 217,501 | 217,501 |

16.2 The lease contracts are signed by the Bank for the premises of Its branches. The terms of lease contracts range from 3 years to 10 years.

## 17 OTHER LIABILITIES

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Mark-up/ return/ Interest payable In local currency | 17.1 | **749,430** | 1,670,114 |
| Accrued expenses | | **30,569** | 12,449 |
| Income tax payable | | **736,062** | 887,427 |
| Branch adjustment account | | **70,138** | 305,606 |
| Provision for bonus to employees | | **90,000** | 36,400 |
| Provision against customer clalms | | **28,155** | 16,672 |
| Leave encashment | | **167,134** | 115,715 |
| Education cess | | **65,302** | 124,127 |
| Withholding tax | | **103,968** | 66,350 |
| Others | | **44456** | 28855 |
| | | **2,085,214** | 3,263,715 |

17.1 It includes an amount of Rs.5 53,054 thousand ( 2024: Rs.9 00, 193 thousand ) on account of interest payable to related parties

## 18 SHARE CAPITAL

### 18.1 Authorized capital

| 2025 | 2024 | | 2025 | 2024 |
|---|---|---|---|---|
| (Rupees in '000) | | | (Rupees in '000) | |
| **2,300,000,000** | 1,000,000,000 | Ordinary shares of Rs. 10 /- each | **23,000,000,000** | 10,000,000 |

### 18.2 issued subscribed and paid up share capital

| 2025 | 2024 | | 2025 | 2024 |
|---|---|---|---|---|
| (Rupees in '000) | | **Ordinary shares** | (Rupees in '000) | |
| **885,708,867** | 552,862,092 | Fully paid in cash | **8,857,089** | 5,528,621 |
| **119,141,773** | 42,846,775 | Issued as bonus shares | **1,191,418** | 428,468 |
| **1,004,850,640** | 595,708,867 | | **10,048,507** | 5,957,089 |

18.3 The Government of Azad Jam mu and Kashmir own 100% percent of ordinary shares of the Bank as on December 31, 2025 (2024: 100%).

### 18.4 Reconciliation of number of ordinary shares

| | Note | 2025 | 2024 | 2025 | 2024 |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | (Rupees in '000) | |
| Shares at the beginning of the year | | **595,708,867** | **552,862,092** | **5,957,089** | **5,528,621** |
| Bonus shares issued during the year | 18.5 | **119,141,773** | **42,846,775** | **1,191,418** | **428,468** |
| Shares issued against cash consideration | | **290,000,000** | **-** | **(2,900,000)** | **-** |
| Shares at the year end | | **1,004,850,640** | **595,708,867** | **10,048,507** | **5,957,089** |

18.5 During the year t.he Bank has issued 119,141,773 (2024: 42,846,775 ) bonus shares amounting to Rs. 1,191 Million (2024: Rs. 428.468 Million) to its shareholders.

## 19 RESERVES

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

| | | Note | 2025 | 2024 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| 20 | **SURPLUS / (DEFICIT) ON REVALUATION OF FINANCIAL ASSETS** | | | |
| | Surplus/ (deficit) on revaluation of | | | |
| | - Securities measured at FVOCI - Equity | 7.1 | **(2,091)** | 699 |
| | Deferred tax on surplus / (deficit) on revaluation of: | | | |
| | - Securities measured at FVOCI - Equity | | **1,108** | (378) |
| | | | **(983)** | 321 |
| | | | | 3065871 |
| 21 | **CONTINGENCIESA ND COMMITMENTS** | | | |
| | Guarantees | 21.1 | **203,014** | 230,923 |
| | Commitments | 21.2 | **206,252** | 208,277 |
| | Bills for collection | 21.3 | **25,923** | 27,597 |
| | | | **435,189** | 466,797 |
| 21.1 | **GUARANTEES** | | | |
| | Financial guarantees | | **203,014** | 230,923 |
| 21.2 | **COMMITMENTS** | | | |
| | Loan sanctioned but not disbursed | | **15,470** | 12,308 |
| | Unavailed running finance | | **190,782** | 195,969 |
| | | | **206,252** | 208,277 |
| 21.3 | **BILLS FOR COLLECTION** | 21.3.1 | **25,923** | 27,597 |

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

## 22 MARK-UP/ RETURN/ INTEREST EARNED

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Loans and advances | 22.1 | **862,954** | 776,537 |
| Investments | | **1,844,816** | 974,878 |
| Balances with banks | | **3,925,114** | 5,738,099 |
| | | **6,632,884** | 7,489,514 |

22.1 This includes an amount of Rs. 10,739 thousands (2024: Rs.8,863 thousands) on account of interest earned on advances given to related parties

## 23 MARK-UP/ RETURN/ INTEREST EXPENSED

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Deposits | | **3,524,970** | 4,172,124 |
| Finance charges on leased assets | 23.1 | **42,022** | 39,000 |
| | | **3,566,992** | 4,211,124 |

23.1 This includes an amount of Rs. 2,411 thousand (2024: Rs. 611,786 thousand) on account of interest expense on related party deposits

## 24 FEE AND COMMISSION INCOME

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Branch banking customer fees | **3,573** | 3,129 |
| Commission on cheques books | **13,903** | 12,175 |
| Credit related fees | **22,835** | 15,140 |
| Commission on guarantees | **2,965** | 2,128 |
| Commission on remittances including home remittances | **1,108** | 2,871 |
| Commission on utility bills | **6,648** | 4,804 |
| Postage | **1,385** | 936 |
| Others | **682** | 1,108 |
| | **53,099** | 42,291 |

## 25 OTHER INCOME

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Gain on sale of property and equipment - net | **-** | 17,245 |
| Site visits and fee collection charges | **5,996** | 8,025 |
| Recovery against advances written off | | 5,865 |
| Dormant account maintainance charges | **29,042** | 60,975 |
| Blanket Insurance | **25,112** | 3,955 |
| Others | **912** | 26 |
| | **61,062** | 96,091 |

| 26 | OPERATING EXPENSES | Note | 2025 | 2024 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Total compensation expense | 26.1 | **1,088,679** | 874,609 |
| | Property expense | | **2,327** | - |
| | Rent & taxes | | - | - |
| | Insurance | | **42,668** | 37,952 |
| | Utilities cost | | **80,271** | 81,217 |
| | Sesurity (including guards) | | **22,928** | 28,062 |
| | Repair & maintenance (including janitorial charges) | | **54,533** | 46,507 |
| | Depreciation on right of use asset | | **18,496** | 14,637 |
| | Depreciation | | **221,223** | 208,375 |
| | Information technology expenses | | **30,806** | 26,596 |
| | Software maintenance | | **9,389** | 9,612 |
| | Hardware maintenance | | **14,718** | 20,196 |
| | Depreciation | | **15,773** | 18,792 |
| | Network charges | | **70,686** | 75,196 |
| | Other operating expenses | | | |
| | | | **20,213** | 15,740 |
| | Directors' fees and allowances | | **18,778** | 11,191 |
| | Legal & professional charges | | **61,168** | 58,806 |
| | Travelling & conveyance | | **35,533** | 24,260 |
| | Depreciation | | **50,520** | 32,139 |
| | Entertainment | | **10,369** | 5,062 |
| | Training & development | | **8,590** | 6,051 |
| | Postage & courier charges | | **6,126** | 5,768 |
| | Communication | | **31,307** | 32,239 |
| | Stationery & printing | | **10,780** | 15,521 |
| | Marketing, advertisement & publicity | | **3,236** | 3,080 |
| | Auditors remuneration | 26.2 | **81,784** | 114,141 |
| | Education cess | | **85,757** | 44,354 |
| | Others | | **424,161** | 368,352 |
| | | | **1,804,749** | 1,526,532 |

## 26.1 TOTAL COMPENSATION EXPENSE

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Fees and allowances etc. | **546,856** | 359,722 |
| Managerial remuneration | | |
| i) Fixed | **19,526** | 10,058 |
| ii) Variable - cash bonus | **117,614** | 106,329 |
| Contribution to defined contribution plan | **19,083** | 14,708 |
| Contribution to defined gratuity fund | **44,606** | 47,095 |
| Staff loans - Deferred cost unwinding | **37,408** | 47,838 |
| Rent & house maintenance | **111,233** | 97,128 |
| Utilities | **24,718** | 21,632 |
| Medical | **25,222** | 21,636 |
| Conveyance | **142,413** | 148,463 |
| | **1,088,679** | 874,609 |

## 26.2 AUDITORS' REMUNERATION

| | 2025 | 2024 |
|---|---|---|
| Audit fee | **2,942** | 2,800 |
| Out-of-pocket expenses | **294** | 280 |
| | **3,236** | 3,080 |

## 27 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

| | 2025 | 2024 |
|---|---|---|
| Credit loss allowance against loans & advances | **88,522** | (34,211) |
| Written off l charged off bad debts during the year | **(284)** | 129 |
| | **88,238** | (34,082) |

## 28 TAXATION

| | 2025 | 2024 |
|---|---|---|
| Current | **839,092** | 1,114,930 |
| Deferred | **(77,470)** | (63,239) |
| | **761,622** | 1,051,691 |

## 28.1 RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

| | 2025 | 2024 |
|---|---|---|
| Accounting profit for the year | **1,291,635** | 1,934,896 |
| Tax on income @ 43% (2024: 44%) | **555,403** | 851,354 |
| Super tax @ 10% (2024: 10%) | **129,164** | 193,490 |
| Expense not allowed | **74,878** | 10,111 |
| Impact of tax rate change | **2,177** | (3,264) |
| Actual tax rate l expense | **761,622** | 1,051,691 |
| Total tax charge as per financial statements | **761,622** | 1,051,691 |

## 29 BASIC / DILUTED EARNINGS PER SHARE

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Profit for the year | **530,013.00** | 883,205.00 |
| Weighted average number of ordinary shares (Number)- Restated | **718,823,243.00** | 714,850,640.00 |
| Basic / Diluted earnings per share earnings per share (Rupees)- Restated | **0.74** | 1.24 |

29.1 The weighted average number of shares of 2024 has been restated for the effect of bonus shares issued during the year, in accordance with the requirements of IAS33. Accordingly, comparative EPS for 2024 has been restated.

## 30 CASH AND CASH EQUIVALENTS

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash and balance with treasury banks | | **5,612,718** | 6,402,309 |
| Balance with other banks | | **10,907,226** | 5,668,780 |
| | 30-1 | **16,519,944** | 12,071,089 |

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

## 31 STAFF STRENGTH

| | 2025 | 2024 |
|---|---|---|
| | Number | |
| Permanent | **470** | 468 |
| On bank contract | **59** | 69 |
| Bank's own staff strength at the end of the year | **529** | 537 |
| Outsourced Staff (other than guarding and janitorial services) | **131** | 73 |
| Total staff strength at the end of the year | **660** | 610 |

## 32 DEFINED CONTRIBUTION PLANS

### 32.1 General description

General description of the type of defined contribution plans and policy is disclosed in note 4.11 to these financial statements.

**32.2 Gratuity**

The Bank contributed Rs. 44,606 thousand (2024: Rs. 47,095 thousand) for 470 (2024: 468) of its permanent employees during the year towards employees gratuity fund.

**32.3 PROVIDENT FUND**

The Bank contributed Rs. 19,083 thousand (2024: 14,708 thousand) in respect of 470 (2024: 468) of its employees during the year towards employees contributory provident fund. Employee contribution deducted from employees' salary with similar amount is also contributed to the fund along with employer's contribution.

**33 LEAVE ENCASHMENT**

Employees of Bank of Azad Jammu & Kashmir are entitled to take Earned Leave Encashment of 30 days per year. Earned leave can be accumulated up to maximum of 180 days.

-50% of earned leave balance maximum up to 180 days encashment shall be· allowed / be admissible to all permanent employees of the bank at the time of retirement. However,no leave encashment will be allowed if the employees concerned opts for Leave Preparatory to Retirement (LPR). However, employees opting for LPR shall apply at least three months before the due date of LPR.
- leave encashment as mentioned shall be admissible at last drawn full pay.

**33.1 Number of Employees under the scheme**

| | 2025 |
|---|---|
| | ------- Number ------- |
| - Employees Compensated Absences | 470 |

**33.2 Principal actuarial assumptions**

Latest actuarial valuation was carried out as at December 31, 2025 using 'Projected Unit Credit Method'.

33.2.1 These financial statements include only the current year's actuarial valuation figures, as the prior year actuarial valuation report from an independent valuer was not available.

| | 2025 |
|---|---|
| | Employees compensated absences (Unfunded) |
| Discount rate | 11.50% |
| Expected rate of salary Increase | 11.50% |
| Mortality rates | SLIC 2001- 2005 |
| Withdrawal rates | - |
| Retirement Assumption | Age· based Age60 |
| Average duration of liability | 13 Years |

**33.3 Reconciliation of payable to defined benefit plans**

| | 2025 |
|---|---|
| | Employees compensated absences (Unfunded) |
| | (Rupees in '000) |
| Present value of obligations | 167,135 |
| Fair value of plan assets | - |
| Payable | 167,135 |

**33.4 Movement in defined benefit obligations**

| | |
|---|---|
| Obligations at the beginning of the year | 115,715 |
| Current service cost | 17,031 |
| Past service cost | - |
| Interest cost | 12,587 |
| Benefits paid | (12,531) |
| Re-measurement loss | 34,333 |
| Obligations at the end of the year | 167,135 |

## 33.5 Movement in fair value of plan assets

| | 2025 Employees compensated absences (Unfunded) |
|---|---|
| | (Rupees in '000) |
| Fair value at the beginning of the year | - |
| Interest income on plan assets | - |
| Contribution by the Bank - net | - |
| Re-measurements: Net return on plan assets | - |
| over interest income (loss) I gain | - |
| | - |

## 33.6 Movement in payable under defined benefit schemes

| | |
|---|---|
| Opening balance | 115,715 |
| Charge for the year | 63,951 |
| Benefits paid by the Bank | 12,531 |
| | 167,135 |

## 33.7 Charge for defined benefit plans

33.7.1 Costr ecognisedin profit and loss

| | |
|---|---|
| Current service cost | 17,031 |
| Past service cost | - |
| Net interest on defined benefit liability I (asset) | 12,587 |
| Actuarial losses / (gains) recognised | 34,333 |
| | 63,951 |

## 33.8 Sensitivity analysis

Sensitivity analysis was carried out on significant actuarial assumptions such as discount rate and salary Increase rate. Impact of changing these assumptions are given in section 5 of the report.

| | (Rupees in '000) |
|---|---|
| Discount rate + 100 bps | 147,562 |
| Discount rate • 100 bps | 190,094 |
| Salary increase+ 100 bps | 189,873 |
| Salary decrease - 100 bps | 147,398 |
| The average duration of the defined benefit obligation is | 13 Years |

33.9 The significant risks a ssociated with the scheme are as under:
Final Salary Risk (linked to Inflation risk)

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic Risks

Mortality Risk
The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk
The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the
withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

## 34 COMPENSATION OF DIRECTOR AND KEY MANAGEMENT PERSONNEL

### 34.1 Total Compensation Expense

2025

| Item | Directors - Chairman | Directors - Non-Executives | President | Key Management Personnel |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Fees and Allowances etc. | - | - | 11,239 | 35,693 |
| Managerial Remuneration | | | | |
| i) Fixed | 1,600 | 17,200 | - | - |
| ii) Variable (bonus) | - | - | - | 7,930 |
| Contribution to defined contribution provident fund | - | - | - | 2,462 |
| Contribution to defined contribution gratuity fund | - | - | - | 2,462 |
| Rent & house maintenance | - | - | - | 16,061 |
| Utilities | - | - | - | 3,568 |
| Medical | - | - | - | 3,568 |
| Conveyance | - | - | - | 11,917 |
| Vehicle | - | - | - | 1,128 |
| Boarding & lodging | - | - | - | - |
| Fuel expense | - | - | - | - |
| Others (mobile charges, TA & DA) | - | - | 3,635 | 7,677 |
| Total | 1,600 | 17,200 | 14,874 | 92,466 |
| Number of Persons | 1 | 9 | 1 | 14 |

2024

| Item | Directors - Chairman | Directors - Non-Executives | President | Key Management Personnel |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Fees and Allowances etc. | - | - | 4,500 | 26,604 |
| Managerial Remuneration | | | | |
| i) Fixed | - | - | - | - |
| ii) Variable (bonus) | 900 | 10,450 | 817 | 4,631 |
| Contribution to defined contribution provident fund | - | - | 272 | 1,419 |
| Contribution to defined contribution gratuity fund | - | - | 299 | 1,718 |
| Rent & house maintenance | - | - | 2,025 | 11,972 |
| Utilities | - | - | 450 | 2,336 |
| Medical | - | - | 450 | 2,660 |
| Conveyance | - | - | - | 1,347 |
| Vehicle | - | - | - | 1,980 |
| Boarding & lodging | - | - | - | - |
| Fuel expense | - | - | 1,192 | 9,233 |
| Others (mobile charges, TA & DA) | - | 4,390 | 2,993 | 4,755 |
| Total | 900 | 14,840 | 12,998 | 68,655 |
| Number of Persons | 1 | 9 | 1 | 13 |

## 34 COMPENSATION OF DIRECTOR AND KEY MANAGEMENT PERSONNEL

### 34.1 Total Compensation Expense

2025

| Name of Director | Meeting fees and allowances paid | | | | | | |
|---|---|---|---|---|---|---|---|
| | Board Meetings | For board committees: Board HR Committee | Board Risk Management Committee | Board IT Committee | Special Committee | | Total Amount Paid |
| | ----- (Rupees in '000) ----- | | | | | | |
| Mr.Abdul Majid Khan | 1,600 | - | - | - | - | - | 1,600 |
| Mr.Islam Zaib. | 1,600 | 700 | 300 | 900 | 400 | 200 | 4,100 |
| Mr.Muhammad Sajjid | 1,600 | 100 | 300 | 400 | - | 100 | 2,500 |
| Mr.Khalid Mehmood Mirza | 1,600 | 400 | 100 | 700 | 300 | 300 | 3,400 |
| Ms.Bushra Naz Malik | 1,600 | 300 | 300 | 900 | - | 300 | 3,400 |
| Mr.Mubashar Nabi | 900 | 300 | 200 | 200 | 400 | 100 | 2,100 |
| Mr.Waheed ul Aassan | - | - | - | 200 | - | 100 | 300 |
| Mr. Abdur Rehman | - | - | - | 200 | - | - | 200 |
| Mr.Shahid Shahzad Mir | 200 | 300 | 300 | 200 | 100 | 100 | 1,200 |
| Total amount paid | 9,100 | 2,100 | 1,500 | 3,700 | 1,200 | 1,200 | 18,800 |

2024

| Name of Director | Meeting fees and allowances paid | | | | | | |
|---|---|---|---|---|---|---|---|
| | Board Meetings | For board committees: Board HR Committee | Board Risk Management Committee | Board IT Committee | Special Committee | | Total Amount Paid |
| | ----- (Rupees in '000) ----- | | | | | | |
| Mr.Abdul Majid Khan | 900 | - | - | - | - | - | 900 |
| Mr.Islam Zaib. | 750 | 300 | - | 600 | 300 | 100 | 2,050 |
| Mr.Muhammad Sajjid | 850 | - | 200 | 650 | 100 | 200 | 2,000 |
| Mr.Khalid Mehmood Mirza | 800 | - | - | 100 | 300 | 50 | 1,250 |
| Ms.Bushra Naz Malik | 900 | - | 200 | 750 | - | 100 | 1,950 |
| Mr.Mubashar Nabi | 700 | 300 | 200 | - | 200 | 200 | 1,600 |
| Mr. Zulfiqar Abbasi | 700 | 100 | - | 650 | - | 150 | 1,600 |
| Total amount paid | 5,600 | 700 | 600 | 2,750 | 900 | 800 | 11,350 |

## 35 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as amortized cost, 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.

### 35.1 Fair value of financial assets

The Bank measures fair values using  he 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. unobservablein puts).

35.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

| | 2025 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 4** |
| On balance sheet financial Instruments | (Rupees in '000) | | | |
| Financial assets· measured at fair value | | | | |
| Investments | **52,909** | - | - | 52,909 |
| - Mutual funds | | | | |
| Financial assets • disclosed but not measured at fair value | | | | |
| Investments | | | | |
| -Federal Government Securities | **4,451,000** | - | - | 4,451,000 |

| | 2024 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 4** |
| On balance sheet financial Instruments | (Rupees in '000) | | | |
| Financial assets· measured at fair value | | | | |
| Investments | **55,699** | - | - | 55,699 |
| - Mutual funds | | | | |
| Financial assets • disclosed but not measured at fair value | | | | |
| Investments | | | | |
| -Federal Government Securities | **18,706,000** | - | - | 18,706,000 |

**Valuation techniques used In determination of fair value**

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

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

## 36 SEGMENT INFORMATION

### 36.1 Segment details with respect to Business Activities

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

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Retail Banking | Commercial Banking | Payment and Settlement | Agency Services | Total |
| | (Rupees in '000) | | | | |
| **Profit and loss** | | | | | |
| Net mark-up/ return/ profit | 686,746 | 2,379,146 | - | - | 3,065,892 |
| Non mark-up / return I interest income | 36,614 | 10,565 | 35,543 | 36,008 | 118,730 |
| Total income | 723,360 | 2,389,711 | 35,543 | 36,008 | 3,184,622 |
| Segment direct expenses | (193,359) | (1,592,264) | (9,501) | (9,625) | (1,804,749) |
| Inter segment expense allocation | - | - | - | - | - |
| Total expenses | (193,359) | (1,592,264) | (9,501) | (9,625) | (1,804,749) |
| Credit loss allowance (charged) I reversal | (88,238) | | | | (88,238) |
| **Profit before tax** | 441,763 | 797,447 | 26,042 | 26,383 | 1,291,635 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Retail Banking | Commercial Banking | Payment and Settlement | Agency Services | Total |
| **Balance sheet** | (Rupees in '000) | | | | |
| Cash and bank balances | - | 45,110,950 | - | - | 45,110,950 |
| Investments | - | 5,499,102 | - | - | 5,499,102 |
| Advances - performing | 4,312,220 | 632,310 | - | - | 4,944,530 |
| - non-performing | 33,051 | 17,797 | - | - | 50,848 |
| Property and equipment | 54,831 | 451,522 | 2,695 | 2,729 | 511,777 |
| Right of use asset | 23,295 | 191,830 | 1,145 | 1,159 | 217,429 |
| Deferred tax asset | 36,724 | 302,416 | 1,804 | 1,829 | 342,773 |
| Others | 3,097,785 | 607,050 | 2,908 | 2,944 | 3,710,687 |
| **Total assets** | 7,557,906 | 52,812,977 | 8,552 | 8,661 | 60,388,096 |

| | | | | | |
|---|---|---|---|---|---|
| Bills payable | - | 181,788 | - | - | 181,788 |
| Deposits and other accounts | - | 47,265,473 | - | - | 47,265,473 |
| Lease liability against right of use asset | 27,466 | 226,176 | 1,350 | 1,367 | 256,359 |
| Others | 169,592 | 1,845,169 | 70,294 | 159 | 2,085,214 |
| **Total liabilities** | 197,058 | 49,518,606 | 71,644 | 1,526 | 49,788,834 |
| Equity | 7,360,848 | 3,294,371 | (63,092) | 7,135 | 10,599,262 |
| **Total equity and llabllltles** | 7,557,906 | 52,812,977 | 8,552 | 8,661 | 60,388,096 |
| **Contingencies and commitments** | 68,063 | 138,189 | 25,923 | 203,014 | 435,189 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| **Profit and loss** | Retail Banking | Commercial Banking | Payment and Settlement | Agency Services | Total |
| | (Rupees in '000) | | | | |
| Net mark-up/ return/ profit | 632,648 | 2,645,742 | - | - | 3,278,390 |
| Non mark-up I return I interest income | 6,387 | 17,891 | 58,471 | 66,207 | 148,956 |
| Total income | 639,035 | 2,663,633 | 58,471 | 66,207 | 3,427,346 |
| Segment direct expenses | (120,244) | (1,381,065) | (11,829) | (13,394) | (1,526,532) |
| Credit loss allowance (charged) I reversal | 34,082 | | | | 34,082 |
| Total expense | (86,162) | (1,381,065) | (11,829) | (13,394) | (1,492,450) |
| **Profit before tax** | 552,873 | 1,282,568 | 46,642 | 52,813 | 1.934,896 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| **Balance Sheet** | Retail Banking | Commercial Banking | Payment and Settlement | Agency Services | Total |
| | (Rupees in '000) | | | | |
| Cash and bank balances | - | 26,601,397 | - | - | 26,601,397 |
| Investments | - | 18,377,198 | - | - | 18,377,198 |
| Advances - performing | 3,557,472 | 833,264 | - | - | 4,390,736 |
| - non-performing | 115,974 | 85,394 | - | - | 201,368 |
| - credit loss allowance | (104,033) | (67,732) | - | - | (171,765) |
| Property and equipment | 25,838 | 296,766 | 2,542 | 2,878 | 328,024 |
| Right of use asset | 16,386 | 188,202 | 1,612 | 1,825 | 208,025 |
| Deferred tax asset | 20,781 | 238,677 | 2,044 | 2,315 | 263,817 |
| Others | 215,920 | 398,020 | 2,985 | 3,380 | 620,305 |
| **Total assets** | 3,848,338 | 46,951,186 | 9,183 | 10,398 | 50,819,105 |

| | | | | | |
|---|---|---|---|---|---|
| Bills payable | - | 37,951 | - | - | 37,951 |
| Deposits and other accounts | - | 40,129,385 | - | - | 40,129,385 |
| Lease liability against right of use asset | 17,132 | 196,775 | 1,686 | 1,908 | 217,501 |
| Others | 104,016 | 2,853,685 | 305,798 | 217 | 3,263,716 |
| **Total liabilities** | 121,148 | 43,217,796 | 307,484 | 2,125 | 43,648,553 |
| Equity | 3,727,190 | 3,733,390 | (298,307) | 8,273 | 7,170,552 |
| **Total equity and liabilities** | 3,848,338 | 46,951,186 | 9,183 | 10,398 | 50,819,105 |
| **Contingencies and commitments** | 68,731 | 139,546 | 27,597 | 230,923 | 466,797 |

## 37 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

## 38 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:

| | | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|---|
| | | Government of Azad Jammu & Kashmir and its related department | Directors | Key Management Personnel | Government of Azad Jammu & Kashmir and its related department | Directors | Key Management Personnel |
| | | (Rupees in '000) | | | | | |
| **Statement of financial position** | | | | | | | |
| **Advances** | | | | | | | |
| Opening balance | | - | - | 264,822 | - | - | 163,138 |
| Addition during the year | | - | - | 64,179 | - | - | 124,685 |
| Repaid during the year | | - | - | - | - | - | (23,001) |
| Transfer in I (out) - net | | - | - | - | - | - | - |
| **Closing balance** | | - | - | 329,001 | - | - | 264,822 |
| Provision held against advances | | - | - | - | - | - | - |
| **Other Assets** | | - | - | - | - | - | - |
| Interest I mark-up accrued | | - | - | - | - | - | - |
| Other receivable | | | | | | | |
| Credit loss allowance held against other assets | | - | - | - | - | - | - |
| **Deposits and other accounts** | | | | | | | |
| Opening balance | | 24,195,706 | - | 5,138 | 10,725,976 | - | 3,239 |
| Received during the year | | 4,306,281 | - | | 13,915,730 | - | 6,564 |
| Withdrawal during the year | | | - | (925) | (446,000) | - | (4,665) |
| Closing balance | 15.1 | 28,501,987 | - | 4,213 | 24,195,706 | - | 5,138 |
| Other Liabilities | | | | | | | |
| Interest I mark-up payable | 17.1 | 553,054 | - | - | 900,193 | - | - |
| **Profit and loss account** | | | | | | | |
| **Income** | | | | | | | |
| Mark-up I return I interest earned | 22.1 | - | - | 10,739 | - | - | 8,863 |
| | | - | - | 10,739 | - | - | 8,863 |
| **Expense** | | | | | | | |
| Mark-up I return I interest paid | 23.1 | 2,379 | - | 32 | 611,738 | - | 48 |
| Operating expenses | 34 | - | 18,800 | 107,340 | - | 14,840 | 81,653 |
| | | 2,379 | 18,800 | 107,372 | 611,738 | 14,840 | 81,701 |

## 39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Minimum capital requirement (MCR) | | |
| Paid-up capital (net of losses) | **10,048,507** | 10,000,000 |
| | **10,048,507** | 5,957,089 |
| **Capital adequacy ratio (CAR)** | | |
| Eligible common equity tier 1 (CET 1) capital | | |
| Eligible additional tier 1 (ADT 1) capital | **10,908,741** | 6,940,975 |
| Total regulatory adjustment applied to CET1 | **-** | - |
| Total eligible Tier 1 capital | **-** | - |
| Eligible tier 2 capital | **10,908,741** | 6,940,975 |
| Total eligible capital (Tier 1 +Tier 2) | **26,524** | 889 |
| | **10,935,265** | 6,941,864 |
| Risk weighted assets (RWAs): | | |
| Credit risk | | |
| Market risk | **18,544,277** | 9,248,809 |
| Operational risk | **132,273** | 139,248 |
| Total | **5,548,428** | 4,198,769 |
| | **24,224,977** | 13,586,826 |
| Common equity tier 1 capital adequacy ratio | | |
| Tier 1 capital adequacy ratio | **45.03%** | 51.09% |
| Total capital adequacy ratio | **45.03%** | 51.09% |
| | **45.14%** | 51.09% |
| **Leverage ratio (LR)** | | |
| Eligible tier-1 capital | | |
| Total exposures | **10,908,741** | 6,940.975 |
| Leverage ratio | **55,377,092** | 32,964.403 |
| Liquidity coverage ratio (LCR) | **20%** | 21% |

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the year ended December 31, 2025 stood at Rs.10,049 million (2024: Rs.5,957 million). Banks are also required to maintain a minimum CAR of 10.00% plus capital conservation buffer of 2.50% and High Loss Absorbency Requirement of 1.00% of the risk weighted exposures of the Bank.

Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.00% and 7.50%, respectively, as at December 31, 2025.

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

| **Liquidity Coverage Ratio (LCR)** | **2025** | **2024** |
|---|---|---|
| | (Rupees in '000) | |
| Total high quality liquid assets | **45,110,950** | 26,601,397 |
| Total net cash outflow | **30,548,061** | 25,988,733 |
| Liquidity coverage ratio | **148%** | 102% |
| **Net stable funding ratio (NSFR)** | | |
| Total available stable funding | **27,795,878** | 21,281,286 |
| Total required stable funding | **26,732,048** | 14,009,832 |
| Net stable funding ratio | **104%** | 152% |

## 40 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.

### 40.1 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.

## 40.1.1 Investment in debt securities

| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross advances | | Non-performing advances | | Credit loss allowance held | | | | | |
| | | | | | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| | (Rupees in '000) | | | | | | | | | |
| Credit risk by industry sector | | | | | | | | | | |
| Federal Govt Bonds | 5,446,193 | 18,321,499 | - | - | - | - | - | - | - | - |
| Construction - TFC | 49,940 | 49,940 | 49,940 | 49,940 | - | - | - | - | 49,940 | 49,940 |
| | 5,496,133 | 18,371,439 | 49,940 | 49,940 | - | - | - | - | 49,940 | 49,940 |
| Credit risk by public/ private sector | | | | | | | | | | |
| Public I Government | 5,446,193 | 18,321,499 | - | - | - | - | - | - | - | - |
| Private | 49,940 | 49,940 | 49,940 | 49,940 | - | - | - | - | 49,940 | 49,940 |
| | 5,496,133 | 18,371,439 | 49,940 | 49,940 | - | - | - | - | 49,940 | 49,940 |

## 40.1.2 Advances

| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Credit risk by industry sector | | | | | | | | | | |
| Agriculture, Forestry, Hunting and Fishing | 220,524 | 15,445 | 11,845 | 3,977 | 978 | 1 | 550 | 106 | 9,256 | 316 |
| Wholesale and Retail Trade | 299,485 | 765,310 | 16,085 | 90,004 | 1,327 | 13 | 747 | 6 | 12,572 | 80,908 |
| Individuals | 4,383,944 | 3,627,019 | 235,461 | 78,204 | 19,428 | 52 | 10,942 | 4,194 | 184,148 | 59,203 |
| Others | 351,428 | 83,720 | 18,875 | 29,183 | 1,557 | 3 | 877 | 1,304 | 14,759 | 25,659 |
| | 5,255,381 | 4,491,494 | 282,266 | 201,368 | 23,290 | 69 | 13,116 | 5,610 | 220,735 | 166,086 |

### 40.1.3 Contingencies and Commitments

**Credit risk by Industry sector**

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Wholesale and Retail Trade | **190,782** | 195,969 |
| Individuals | **41,393** | 39,905 |
| Others | **203,014** | 230,923 |
| | **435,189** | 466,797 |
| **Credit risk by public / private sector** | **203, 014** | 230, 923 |
| Public/ Government | **232,175** | 235, 874 |
| Private | **435,189** | 466, 797 |

### 40.1.4 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 438,871 thousand (2024: Rs. 338,877 thousand) are as following:

| | | |
|---|---|---|
| Funded | **235,857** | 251,202 |
| Non funded | **203,014** | 87,674 |
| Total expousure | **438,871** | 338,876 |

The sanctioned limits against these top 10 exposures aggregated to Rs 246,500 thousand (2024: Rs.261,134 thousand)

Total funded classified therein

| | Amount | ECL Held |
|---|---|---|
| | (Rupees in '000) | |
| OAEM | - | - |
| Substandard | - | - |
| Doubtful | - | - |
| Loss | **185,601** | 153,485 |
| Total | **185,601** | 153,485 |

### 40.1.5 Advances - Province/Region-wise Disbursement & Utilization

Total amount of disbursement and utilization is in Azad Jammu and Kashmir of Rs. 3,525,156 thousands (2024: 2,689,627 thousands)

### 40.2 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.

### 40.2.1 Balance sheet split by trading and banking books

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Banking book | Trading book | Total | Banking book | Trading book | Total |
| | (Rupees in '000) | | | | | |
| Cash and balances with treasury banks | 13,462,724 | | 13,462,724 | 8,035,204 | | 8,035,204 |
| Balances with other banks | 31,648,226 | | 31,648,226 | 18,566,193 | | 18,566,193 |
| Investments | | 5,499,102 | 5,499,102 | | 18,377,198 | 18,377,198 |
| Advances | 4,995,378 | | 4,995,378 | 4,420,339 | | 4,420,339 |
| Property and equipment | 511,777 | | 511,777 | 328,024 | | 328,024 |
| Right of use assets | 217,429 | | 217,429 | 208,025 | | 208,025 |
| Deferred tax assets | 342,773 | | 342,773 | 263,817 | | 263,817 |
| | 3,710,687 | | 3,710,687 | 620,305 | | 620,305 |
| Other assets | | | | | | |
| | 54,888,994 | 5,499,102 | 60,388,096 | 32,441,907 | 18,377,198 | 50,819,105 |

### 40.2.2 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.

### 40.2.3 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.

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Banking book | Trading book | Banking book | Trading book |
| | (Rupees in '000) | | | |
| Impact of 5% change in equity prices on: | | | | |
| -Other comprehensive income | - | 2,645.00 | - 2,785.00 | |

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

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

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

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

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

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Banking book | Trading book | Banking book | Trading book |
| | (Rupees in '000) | | | |
| Impact of 1% change in interest rates on | | | | |
| -Profit and loss account | (80,836.00) | - | (191,557.00) | - |

## 40.2.5 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 | 2025 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Exposed to Yield/ Interest risk | | | | | | | | | Non-interest bearing financial Instruments |
| | | | Upto 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 years | Above 10 Years | |
| | | | (Rupees in '000) | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Cash and balances with treasury banks | 7.39% | 13,462,724 | 1,423,010 | 850,000 | 3,500,000 | 7,000,000 | - | - | | | - | 689,714 |
| Balances with other banks | 9.26% | 31,648,226 | 6,343,892 | 8,130,000 | 2,920,000 | 11,303,490 | - | - | 500,000 | 1,200,000 | - | 1,250,844 |
| Investments | 7.75% | 5,499,102 | | | | 5,499,102 | - | - | - | - | - | - |
| Advances | 9.26% | 4,995,378 | 157,421 | 415,487 | 742,676 | 1,256,282 | 370,657 | 561,583 | 748,679 | 742,593 | - | - |
| Other assets | 0.00% | 3,158,324 | - | - | - | - | - | - | - | - | - | 3,158,324 |
| | | 58,763,754 | 7,924,323 | 9,395,487 | 7,162,676 | 25,058,874 | 370,657 | 561,583 | 1,248,679 | 1,942,593 | - | 5,098,882 |
| Liabilities | | | | | | | | | | | | |
| Bills payable | 0.00% | 181,788 | - | - | - | - | - | - | - | - | - | 181,788 |
| Deposits and other accounts | 7.46% | 47,265,473 | 7,885,022 | 7,935,412 | 9,336,422 | 14,099,213 | 13,775 | 7,650 | 97,935 | - | - | 7,890,043 |
| Liability against ROUA | 15.87% | 256,359 | 17,543 | 19,736 | 22,255 | 28,761 | 41,490 | 40,595 | 58,298 | 27,681 | | |
| Other liabilities | 0.00% | 1,234,558 | - | - | - | - | - | - | - | - | - | 1,234,558 |
| | | 48,938,178 | 7,902,565 | 7,955,148 | 9,358,677 | 14,127,974 | 55,265 | 48,245 | 156,233 | 27,681 | - | 9,306,389 |
| On-balance sheet gap | | 9,825,576 | 21,758 | 1,440,339 | (2,196,001) | 10,930,900 | 315,392 | 513,338 | 1,092,446 | 1,914,912 | - | (4,207,507) |
| Off-balance sheet financial instruments | | | | | | | | | | | | |
| Commitments to extend credit | | 206,252 | 206,252 | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | 206,252 | 206,252 | - | - | - | - | - | - | - | | - |
| Total Yield/Interest Risk Sensitivity Gap | | | (184,494) | 1,440,339 | (2,196,001) | 10,930,900 | 315,392 | 513,338 | 1,092,446 | 1,914,912 | - | (4,207,507) |
| Cumulative Yield/Interest Risk Sensitivity Gap | | | (184,494) | 1,255,945 | (940,157) | 9,990,743 | 10,306,135 | 10,819,473 | 11,911,919 | 13,826,831 | 13,826,831 | 9,619,324 |

| | Effective Yield/ Interest rate | Total | 2025 Exposed to Yield/ Interest risk Upto 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 years | Above 10 Years | Non-interest bearing financial Instruments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (Rupees in '000) | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | |
| **Assets** | | | | | | | | | | | | |
| Cash and balances with treasury banks | | | | | | | | | | | | |
| Balances with other banks | 25.21% | 8,035,204 | 830,589 | 5,132,488 | 457,281 | 1,043,126 | - | - | - | - | - | 571720 |
| Investments | 6.89% | 18,566,193 | 2,728,829 | 3,610,309 | 2,772,955 | 6,714,209 | - | - | 1,022,678 | 1,643,232 | - | 73,980 |
| Advances | 0.06% | 18,377,198 | - | - | - | - | - | - | - | - | - | 18,377,198 |
| Other assets | 17.57% | 4,420,339 | 428,850 | 344,265 | 436,459 | 1,144,461 | 586,766 | 502,716 | 639,651 | 337,171 | - | - |
| | | 235,138 | - | - | - | - | - | - | - | - | - | 235,138 |
| | | 49,634,072 | 3,988,268 | 9,087,062 | 3,666,695 | 8,901,796 | 586,766 | 502,716 | 1,662,329 | 1,980,403 | - | 19,258,036 |
| **Liabilities** | | | | | | | | | | | | |
| Bills payable | | 37,951 | - | - | - | - | - | - | - | - | - | 37,951 |
| Deposits and other accounts | 10.40% | 40,129,385 | 4,111,937 | 4,255,937 | 4,119,437 | 20,515,490 | 13,800 | 20,550 | 115,734 | - | - | 6,976,500 |
| Liability against right of use asset | | 217,501 | 2,543 | 4,736 | 7,255 | 13,761 | 26,490 | 25,595 | 43,298 | 93,823 | | |
| Other liabilities | | 1,975,477 | - | - | - | - | - | - | - | - | - | 1,975,477 |
| | | 42,360,314 | 4,114,480 | 4,260,673 | 4,126,692 | 20,529,251 | 40,290 | 46,145 | 159,032 | 93,823 | - | 8,989,928 |
| **On-balance sheet gap** | | 7,273,758 | (126,212) | 4,826,389 | (459,997) | (11,627,455) | 546,476 | 456,571 | 1,503,297 | 1,886,580 | - | 10,268,108 |
| Off-balance sheet financial instruments | | | | | | | | | | | | |
| Commitments to extend credit | | 208,277 | 208,277 | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | 208,277 | 208,277 | - | - | - | - | - | - | - | - | - |
| Total Yield/Interest Risk Sensitivity Gap | | | (334,489) | 4,826,389 | (459,997) | (11,627,455) | 546,476 | 456,571 | 1,503,297 | 1,886,580 | - | 10,268,108 |
| Cumulative Yield/Interest Risk Sensitivity Gap | | | (334,489) | 4,491,900 | 4,031,904 | (7,595,551) | (7,049,075) | (6,592,504) | (5,089,208) | (3,202,627) | (3,202,627) | 10,268,108 |

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.

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

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Reconciliation of total assets | | |
| Total financial assets | | |
| Add: Non financial assets | **58,763,754** | 49,634,072 |
| Operating fixed assets | **511,777** | 328,024 |
| Right of use asset | **217,429** | 208,025 |
| Other assets | **552,363** | 385,167 |
| Deferred tax asset | **342,773** | 263,817 |
| | **1,624,342** | 1,185,033 |
| Balance as per statement of financial position | **60,388,096** | 50,819,105 |

| | 2025 | 2024 |
|---|---|---|
| | (Rupees in '000) | |
| Reconciliation of total assets | | |
| "Total financial assets | | |
| Add: Non financial assets" | **48,938,178** | 42,360,314 |
| Operating fixed assets | **850,656** | 1,288,238 |
| Right of use asset | **-** | - |
| | **850,656** | 1,288,238 |
| Balance as per statement of financial position | **49,788,834** | 43,648,552 |

## 40.3 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.

### 40.3.1 Operational Risk-Disclosures Basel II Specific

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

## 40.4 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.

### **40.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank**

| | 2025 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Upto 1 Day | Over 1 tpo 7 days | Over 7 to 14 days | Over 14 days to 1 Months | 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 | 13,462,724 | 68,158 | 477,064 | 477,064 | 1,090,438 | 425,000 | 425,000 | 3,500,000 | 3,500,000 | 3,500,000 | - | - | - | - |
| Balances with other banks | 31,648,226 | 244,992 | 1,714,944 | 1,714,944 | 3,919,871 | 3,117,485 | 4,065,000 | 2,920,000 | 6,125,495 | 6,125,495 | - | - | 500,000 | 1,200,000 |
| Investments | 5,499,102 | - | - | - | - | - | - | - | - | 5,499,102 | - | - | - | - |
| Advances | 4,995,378 | 5,078 | 35,546 | 35,546 | 81,233 | 207,744 | 207,744 | 742,676 | 629,572 | 629,572 | 370,657 | 561,583 | 748,679 | 739,748 |
| Property and equipment | 511,777 | 7,361 | 51,527 | 51,527 | 117,784 | 3,394 | 3,394 | 10,182 | 10,182 | 10,182 | 40,741 | 40,741 | 95,677 | 69,085 |
| Right of use assets | 217,429 | 382 | 2,674 | 2,674 | 6,112 | 7,093 | 7,093 | 16,529 | 11,779 | 11,779 | 37,622 | 37,622 | 65,749 | 10,321 |
| Deferred tax assets | 342,773 | 4,930 | 34,511 | 34,511 | 78,888 | 2,273 | 2,273 | 6,820 | 6,820 | 6,820 | 27,287 | 27,287 | 64,082 | 46,271 |
| Other assets | 3,710,687 | 26,601 | 186,207 | 186,207 | 425,615 | 182,396 | 182,396 | 176,882 | 393,584 | 393,584 | 3,942 | 6,418 | 645,613 | 901,242 |
| | 60,388,096 | 357,502 | 2,502,473 | 2,502,473 | 5,719,941 | 3,945,385 | 4,892,900 | 7,373,089 | 10,677,432 | 16,176,534 | 480,249 | 673,651 | 2,119,800 | 2,966,667 |
| Liabilities | | | | | | | | | | | | | | |
| Bills payable | 181,788 | - | - | - | - | 90,894 | 90,894 | - | - | - | - | - | - | - |
| Deposits and other | 47,265,473 | 317,984 | 2,225,888 | 2,225,888 | 5,087,744 | 4,953,963 | 4,953,963 | 11,308,933 | 8,035,863 | 8,035,887 | 13,775 | 7,650 | 97,935 | - |
| Liabilities against ROUA | 256,359 | 566 | 3,962 | 3,962 | 9,056 | 9,868 | 9,868 | 22,255 | 14,381 | 14,381 | 41,490 | 40,595 | 58,298 | 27,677 |
| Other liabilities | 2,085,214 | 135,087 | 70,028 | 70,028 | 160,047 | 553,256 | 559,268 | 239,827 | 142,973 | 142,960 | 349 | 638 | 10,753 | - |
| | 49,788,834 | 453,637 | 2,299,878 | 2,299,878 | 5,256,847 | 5,607,981 | 5,613,993 | 11,571,015 | 8,193,217 | 8,193,228 | 55,614 | 48,883 | 166,986 | 27,677 |
| Net assets | 10,599,262 | (96,135) | 202,595 | 202,595 | 463,094 | (1,662,596) | (721,093) | (4,197,926) | 2,484,215 | 7,983,306 | 424,635 | 624,768 | 1,952,814 | 2,938,990 |
| Share capital | 10,048,507 | | | | | | | | | | | | | |
| Reserves | 106,003 | | | | | | | | | | | | | |
| Unappropriated profit | 445,735 | | | | | | | | | | | | | |
| Surplus on revaluation of assets | (983) | | | | | | | | | | | | | |
| | 10,599,262 | | | | | | | | | | | | | |

| | 2024 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Upto 1 Day | Over 1 tpo 7 days | Over 7 to 14 days | Over 14 days to 1 Months | 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 | 8,035,204 | 45,236 | 316,652 | 316,652 | 723,783 | 2,500,000 | 2,500,000 | - | 500,000 | 500,000 | - | - | - | - |
| Balances with other banks | 18,566,193 | 37,386 | 261,704 | 261,704 | 598,179 | 1,535,000 | 1,535,000 | 2,530,000 | 3,188,007 | 3,188,018 | - | - | - | 1,200,000 |
| Investments | 18,377,198 | - | - | - | - | - | - | - | 9,188,599 | 9,188,599 | - | - | - | - |
| Advances | 4,420,339 | 10,588 | 74,116 | 74,116 | 169,393 | 172,132 | 172,132 | 436,459 | 572,230 | 572,230 | 586,766 | 502,716 | 639,654 | 531,114 |
| Property and equipment | 328,024 | 690 | 4,830 | 4,830 | 11,054 | 3,744 | 3,744 | 11,232 | 11,232 | 11,232 | 44,924 | 44,924 | 106,503 | 69,085 |
| Right of use assets | 208,025 | 76 | 532 | 532 | 1,216 | 2,343 | 2,343 | 7,029 | 7,029 | 7,029 | 28,122 | 28,122 | 56,249 | 67,403 |
| Deferred tax assets | 263,817 | 555 | 3,885 | 3,885 | 8,890 | 3,011 | 3,011 | 9,033 | 9,033 | 9,033 | 36,131 | 36,131 | 85,656 | 55,561 |
| Other assets | 620,305 | 18,474 | 129,318 | 129,318 | 295,591 | 336,398 | 336,398 | 700.236 | 190,656 | 190,656 | - | - | 522,678 | 81,195 |
| | 50,819,105 | 113,005 | 791,037 | 791,037 | 1,808,106 | 4,552,628 | 4,552,628 | 3,693,989 | 13,666,786 | 13,666,797 | 695,943 | 611,893 | 1,410,740 | 2,004,358 |
| Liabilities | | | | | | | | | | | | | | |
| Bills payable | 37,951 | - | - | - | - | 18,976 | 18,975 | - | - | - | - | - | - | - |
| Deposits and other accounts | 40,129,385 | 188,904 | 1,322,328 | 1,322,328 | 3,022,464 | 3,000,032 | 3,000,032 | 5,863,562 | 11,129,809 | 11,129,823 | 13,800 | 20,550 | 115,760 | - |
| Liabilities against ROUA | 217,501 | 82 | 574 | 574 | 1,312 | 2,368 | 2,368 | 7,255 | 6,881 | 6,881 | 26,490 | 25,595 | 43,898 | 93,823 |
| Other liabilities | 3,263,715 | 16,447 | 115,129 | 115,129 | 263,157 | 1,148,747 | 1,148,742 | 135,655 | 96,628 | 96,625 | 349 | 638 | 10,754 | 115,715 |
| | 26,128,766 | 165,353 | 1,157,471 | 1,157,471 | 2,645,639 | 2,959,455 | 2,959,449 | 4,916,556 | 4,862,781 | 4,862,749 | 42,039 | 46,278 | 203,741 | 152,784 |
| Net assets | 6,431,130 | (32,627) | (228,390) | (228,390) | (522,079) | (1,403,650) | (1,403,644) | 1,012,358 | 1,307,056 | 1,307,099 | 1,254,964 | 1,070,911 | 633,852 | 3,663,671 |

| | |
|---|---|
| Share capital | 5,528,621 |
| Reserves | 468,146 |
| Unappropriated profit | 433,460 |
| Surplus on revaluation of assets | 903 |
| | 6,431,130 |

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

| | 2025 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 3 to 5 Years | Above 10 Years |
| | (Rupees in '000) | | | | | | | | | |
| **Assets** | | | | | | | | | | |
| Cash and balances with treasury banks | 13,462,724 | 2,112,724 | 850,000 | 3,500,000 | 7,000,000 | - | - | - | - | |
| Balances with other banks | 31,648,226 | 7,594,736 | 8,130,000 | 2,920,000 | 11,303,490 | - | - | 500,000 | 1,200,000 | - |
| Investments | 5,499,102 | - | - | - | 5,499,102 | - | - | - | - | - |
| Advances | 4,995,378 | 157,421 | 415,487 | 742,676 | 1,256,282 | 370,657 | 561,583 | 748,679 | 742,593 | - |
| Property and equipment | 511,777 | 228,152 | 6,788 | 10,182 | 20,364 | 40,741 | 40,741 | 95,724 | - | - |
| Right of use assets | 217,429 | 11,843 | 14,186 | 16,529 | 23,558 | 37,622 | 37,622 | 65,749 | 10,320 | 69,085 |
| Deferred tax assets | 342,773 | 152,810 | 4,546 | 6,820 | 13,639 | 27,287 | 27,287 | 64,113 | - | - |
| Other assets | 3,710,687 | 824,616 | 364,791 | 176,882 | 787,168 | 3,942 | 6,418 | 645,613 | 901,256 | 46,271 |
| | 60,388,096 | 11,082,302 | 9,785,798 | 7,373,089 | 25,903,603 | 480,249 | 673,651 | 2,119,878 | 2,854,169 | - |
| | | | | | | | | | | 115,356 |
| **Liabilities** | | | | | | | | | | |
| Bills payable | 181,788 | - | 181,788 | - | - | - | - | - | - | |
| Deposits and other | 47,265,473 | 9,857,533 | 9,907,923 | 11,308,933 | 16,071,724 | 13,775 | 7,650 | 97,935 | - | - |
| Liabilities against ROUA | 256,359 | 17,543 | 19,736 | 22,255 | 28,761 | 41,490 | 40,595 | 58,298 | 27,681 | - |
| Other liabilities | 2,085,214 | 435,170 | 1,112,531 | 239,827 | 285,945 | 349 | 638 | 10,754 | - | - |
| | 49,788,834 | 10,310,246 | 11,221,978 | 11,571,015 | 16,386,430 | 55,614 | 48,883 | 166,987 | 27,681 | - |
| | | | | | | | | | | - |
| **Net assets** | 10,599,262 | 772,056 | (1,436,180) | (4,197,926) | 9,517,173 | 424,635 | 624,768 | 1,952,891 | 2,826,488 | |
| | | | | | | | | | | 115,356 |
| Share capital | 10,048,507 | | | | | | | | | |
| Reserves | 106,003 | | | | | | | | | |
| Unappropriated profit | 445,735 | | | | | | | | | |
| Surplus on revaluation of assets | (983) | | | | | | | | | |
| | 10,599,262 | | | | | | | | | |

| | 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 3 to 5 Years | Above 10 Years |
| | (Rupees in '000) | | | | | | | | | |
| **Assets** | | | | | | | | | | |
| Cash and balances with treasury banks | 8,035,204 | 1,402,309 | 5,132,488 | 457,281 | 1,043,126 | - | - | - | - | - |
| Balances with other banks | 18,566,193 | 2,802,809 | 3,610,309 | 2,772,955 | 6,714,209 | - | - | 1,022,678 | 1,643,232 | - |
| Investments | 18,377,198 | - | - | - | 18,377,198 | - | - | - | - | - |
| Advances | 4,420,339 | 428,850 | 344,265 | 436,459 | 1,144,461 | 586,766 | 502,716 | 639,651 | 337,171 | - |
| Property and equipment | 328,024 | 21,397 | 7,488 | 11,232 | 22,464 | 44,924 | 44,924 | 106,510 | - | 69,085 |
| Right of use assets | 208,025 | 2,343 | 4,686 | 7,029 | 14,058 | 28,122 | 28,122 | 56,249 | 67,416 | - |
| Deferred tax assets | 263,817 | 17,209 | 6,021 | 9,033 | 18,067 | 36,131 | 36,131 | 85,662 | - | 55,563 |
| Other assets | 620,305 | 268,052 | - | - | - | - | - | - | 54,830 | 297,423 |
| | 50,819,105 | 4,942,969 | 9,105,257 | 3,693,989 | 27,333,583 | 695,943 | 611,893 | 1,910,750 | 2,102,649 | 422,071 |
| **Liabilities** | | | | | | | | | | |
| Bills payable | 37,951 | - | 37,951 | - | - | - | - | - | - | - |
| Deposits and other | 40,129,385 | 5,856,062 | 6,000,062 | 5,863,562 | 22,259,615 | 13,800 | 20,550 | 115,734 | - | - |
| Liabilities against ROUA | 217,501 | 2,543 | 4,736 | 7,255 | 13,761 | 26,490 | 25,595 | 43,298 | 93,823 | - |
| Other liabilities | 3,263,715 | 509,860 | 2,297,489 | 135,655 | 193,255 | 349 | 638 | 10,754 | - | 115,715 |
| | 43,648,552 | 6,368,465 | 8,340,238 | 6,006,472 | 22,466,631 | 40,639 | 46,783 | 169,786 | 93,823 | 115,715 |
| **Net Assets** | 7,170,553 | (1,425,496) | 765,019 | (2,312,483) | 4,866,952 | 655,304 | 565,110 | 1,740,964 | 2,008,826 | 306,356 |
| Share capital | 5,957,089 | | | | | | | | | |
| Reserves | 644,787 | | | | | | | | | |
| Unappropriated profit | 321 | | | | | | | | | |
| Surplus on revaluation of assets | 568,356 | | | | | | | | | |
| | 7,170,553 | | | | | | | | | |

## 41 CORRESPONDING FIGURES

41.1 Corresponding figures from Note 5, Note 6 and Note 8 amounting to Rs. 632,895 thousand, Rs. 2,562,256 thousand and Rs. 100,610 thousand respectively, have been reclassified to Note 13 for better understanding and presentation.

## 42 GENERAL

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

## 43 DATE OF AUTHORIZATION

These financial statements were authorised for issue on April 30, 2026 by the Board of Directors of the Bank.

| President Chief Executive | Chief Financial Officer | Director | Director | Director |
|---|---|---|---|---|


# MANAGEMENT

# MANAGEMENT

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TOGETHER WE REACH

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TEL: 05826-922165
CELL: 0345-5499824
E-mail: manager0036@bankajk.com

**Tatta-Pani Branch (0042)**
Main Bazar Tatta-Pani, District Kotli, AJK
TEL: 05826-921461
CELL: 0345-5954941
E-mail: manager0042@bankajk.com
Mi-Toti Branch (0044)
Main Bazar Mi-toti, District Kotli, AJK
TEL: 05826-921865
CELL: 0344-5581665
E-mail: manager0044@bankajk.com

**Dhanna Branch (0048)**
Dhanna Bazar, District Kotli, AJK
CELL: 0344-5301133
E-mail: manager0048@bankajk.com

**Juna Branch (0051)**
Main Bazar Juna, District Kotli, AJK
TEL: 05826 474441
CELL: 0344-5301163
E-mail: manager0051@bankajk.com

**Seharmandi Branch (0055)**
Main Bazar Seharmandi,
Tehsil Sehensa, District Kotli, AJK
TEL: 05826-923150
CELL: 0346-5254032
E-mail: manager0055@bankajk.com

**Jarahi Branch (0064)**
Tehsil Dolya Jattan, District Kotli, AJK
TEL: 05826-923350
05826-923351
CELL: 0307-8582139
E-mail: manager0064@bankajk.com

**Goi Branch (0065)**
Main Bazar Goi District Kotli, AJK
TEL: 05826-480649
CELL: 0355-8163350
E-mail: manager0065@bankajk.com

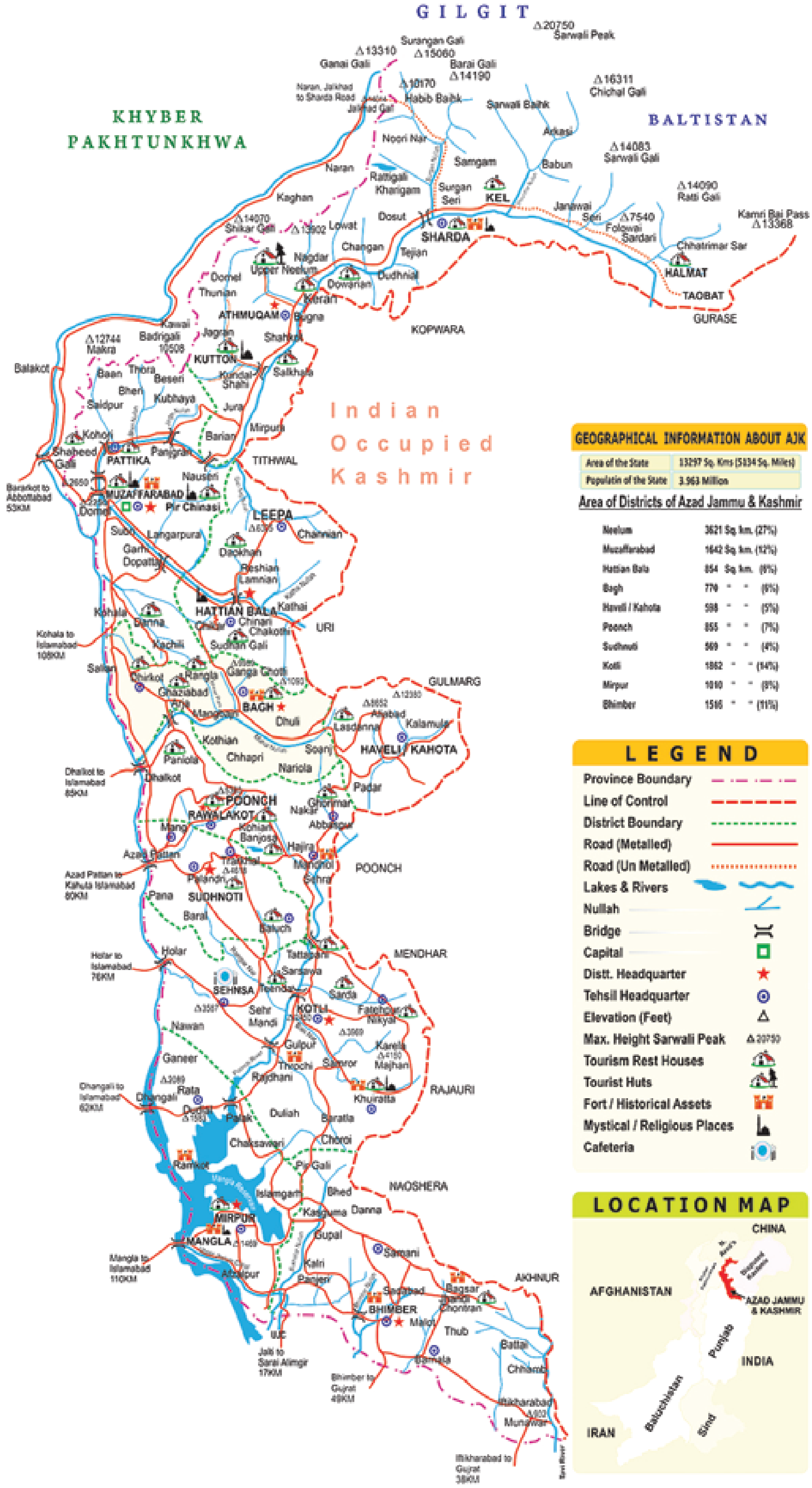
**Lorry Adda Kotli Branch (0066)**
Near Tanveer Ahmed Saheed Girls
Post Graduate college Kotli, AJK
TEL: 05826-920247
05826-920248
CELL: 0306-2109440
E-mail: manager0066@bankajk.com

**Nakyal Branch (0075)**
Bank Road Fatehpur Thakyala Kotli, AJK
TEL: 05826-922046
CELL: 0355-8486450
E-mail: manager0075@bankajk.com

**Bypass Road Branch Kotli (0082)**
Bypass Road Gulhar Shareef Chowk,
Kotli, AJK
TEL: 05826-940820
CELL: 0345-1200083
E-mail: manager0082@bankajk.com

**Gulpur Branch (0090)**
Mirpur Road, Main Bazar Gulpur, Teh. Charhoi,
District Kotli AJK
TEL: 05826-921565
CELL: 0346-5306677
E-mail: manager0090@bankajk.com

# AZAD JAMMU & KASHMIR




GEOGRAPHICAL INFORMATION ABOUT AJK

| | |
|---|---|
| Area of the State | 13297 Sq. Kms (5134 Sq. Miles) |
| Populatin of the State | 3.963 Million |

Area of Districts of Azad Jammu & Kashmir

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

# YEAR AT A GLANCE


Prime Minister of AJK Mr. Faisal Mumtaz Rathore
opens his account in Bank of AJK

# VISIT

Secretary Finance, GOAJK
Mr. Hasan Masud visits BAJK Head Office

# ACCOUNT OPENING

Dignitaries Openining Accounts in BAJK

# MEETINGS WITH GOVERNER STATE BANK OF PAKISTAN

# BOD / COMMITTEE MEETINGS

# MANAGEMENT COMMITTEE MEETING

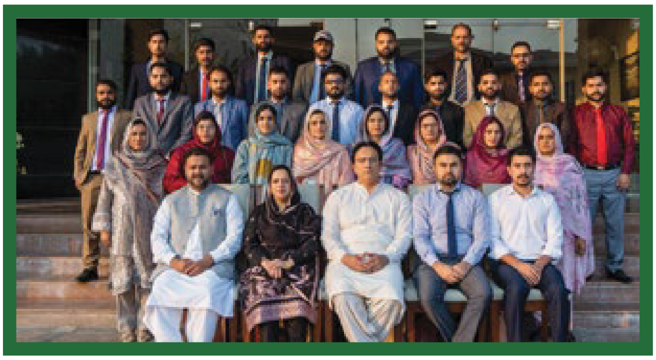
# ACHIEVEMENT CELEBRATIONS

# BUSINESS PROMOTION





# TRAININGS & WORKSHOPS



# BRANCH OPENING


# FIELD VISITS



# KASHIMIR JOB FESTIVAL


**Prime Minister of AJK & Other Dignitaries Visits BAJK Stalls During Job Festival**

# KASHIMIR JOB FESTIVAL

# KASHIMIR JOB FESTIVAL


# AWARDS / PRIZES


# AWARDS / PRIZES







# APPLICATION FOR SCHEDULED BANK LICENCE

The Bank of Azad Jammu & Kashmir (BAJK) has achieved a historic milestone by formally lodging its application for the grant of Scheduled Bank Licence with the State Bank of Pakistan (SBP).
The application was submitted during a meeting of representatives of the Bank of Azad Jammu & Kashmir with officials of the Banking Policy & Regulations Department (BPRD) of the State Bank of Pakistan at SBP Headquarters, Karachi.

This marks a significant step in the Bank's transformation journey and positions BAJK to become the first government-owned bank of Azad Jammu & Kashmir to attain Scheduled Bank status under the regulatory framework of the State Bank of Pakistan.

Established in 2006 through an Act passed by the Azad Jammu & Kashmir Legislative Assembly, the Bank of Azad Jammu & Kashmir was created to serve the financial and developmental needs of the people of Azad Jammu & Kashmir. Over the past two decades, the Bank has expanded its operations across the territory and has played an important role in promoting financial inclusion, supporting businesses, facilitating government transactions and contributing to the economic development of the region.
In preparation for obtaining Scheduled Bank status, the Bank has undertaken comprehensive reforms and successfully fulfilled all major requirements prescribed by the State Bank of Pakistan, including enhancement of its paid-up capital to the minimum regulatory threshold, strengthening of corporate governance arrangements, implementation of robust risk management systems, modernization of information technology infrastructure, enhancement of AML/CFT compliance frameworks and preparation of a comprehensive strategic business plan aligned with regulatory expectations.

Under the SBP's prescribed process, the application will undergo detailed evaluation, including Fit and Proper assessments of the Bank's Board of Directors and senior management, review of governance structures, operational readiness and compliance with all applicable regulatory requirements.

# CODE OF CONDUCT & 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 BAJK, or accept any gains if offered. He shall not accept any sort of gifts, favor, benefits, frequency of which exceeds normal business contact from a customer, constituent likely to have dealing with BAJK and candidates for employment in the Bank.

- Not accept any benefit from the estate of, or a trust created by a customer or from an estate or trust of which Bank's company or business unit is an executor, administrator or trustee.

## 1.4 Conflict of Interest

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

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

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

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

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

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

In case of doubt about whether a particular circumstance / situation would create cont1ict of interest, employees should first consult their Reporting Officer or the concerned Manager for seeking guidance before taking action.

## 1.5 Professionalism

Every employee shall:-

- Serve the Bank honestly and faithfully and shall strictly serve Bank's affairs and the affairs of its constituents. He shall use his utmost endeavor to promote the interest and goodwill of the Bank and will show courtesy and attention in all acts/transactions/correspondences.

- Disclose and assign to Bank all interest in any invention, improvement, discovery or work of authorship that he may make or conceive. If his employment is terminated, all rights to intellectual property and information generated or obtained as part of his employment shall be terminated, and shall remain the exclusive property of the Bank.

## 1.6 Know Your Customer

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

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

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

a. Activities not consistent with customer's business;
b. Unusual characteristics or activities;
c. Attempts to avoid reporting or record keeping requirement;
d. And unusual or erratic movement of funds.

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

## 1.7 Personal Investments

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

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

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

**Employees shall not, at any time, carry out:**

a. Short sales of marketable securities or currencies or any other form of trading which is speculative in nature in their own account or for the account of their spouse or family members.

b. Trading in shares, securities or currencies which involve improper use of unpublished price sensitive information for personal benefit.

## 1.8 Relations with Regulators

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

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

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

## 1.9 Relationship with Competitors

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

## 1.10 Gifts and Entertainment

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

Employees may, however, accept normal business entertainment or promotional items appropriate to the circumstances with prior intimation to the Reporting Officer or the Manager.
In the event that a gift must be accepted for reason of customer's insistence and sensitivity of relationship, such gifts must be surrendered to the Head of Human Resources Division along with reasons of acceptance.

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

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

## 1.11 Office Attendance

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

## 1.12 Corporate Culture

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

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

## 1.13 Customer Relationship

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

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

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

## 1.14 Business/Work Ethics/Discipline

Every employee shall:-

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

## 1.15 Women at Work Place

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

## 1.16 Maintaining Confidentiality

Confidential information comprises of:-

a. any non-public, written or oral, information received directly or indirectly from a customer, prospective customer or a third party with the expectation that such information shall be kept confidential and used solely for the business purposes of the customer, prospective customer or the third party; and

b. BAJK's proprietary information that includes any analyses or plans created or obtained by any BAJK Division, Department or Branch.

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

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

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

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

All employees must sign a declaration of confidentiality / secrecy and must comply with the procedures and regulations.

## 1.17 Dress Code

In order to keep the office environment professional, it is mandatory for all employees to follow a strict dress code.

### 1.17.1 Male

The following dress code is permissible for all male employees of the organization.

1. Dress Shirt and Trouser – In neutral colors, which must be clean and neatly pressed. Shirts should be properly buttoned. Ties shall be properly knotted.

2. Shalwar Kameez – Although Shalwar Kameez is our national dress and people should be encouraged to wear the national dress, extra care should be taken when opting to wear Shalwar Kameez, as it can look very shabby if not properly maintained. Shalwar Kameez should be in neutral colors, it must be clean and immaculately pressed. Kameez should be properly buttoned along-with waistcoats.

### 1.17.2 Female

The following dress code is permissible for all female employees of the organization.

Shalwar, Kameez and Dupatta- In subtle color, clean and neatly pressed. Female staff should avoid dressing garishly by avoiding jewellery and hair clips as much as possible. Small sized ear-rings are permissible as part of jewellery.

## 1.18 Compliance

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

**Senior Management will ensure that:**

a. All employees are aware of this Code;

b. No employee shall be asked to do anything that would contravene this Code; and

c. Queries and concerns arising under this Code will be dealt with properly and may be addressed to the Human Resource Management Division at Head office.

## 1.19 Special Conditions

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

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

## 1.20 Certification

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

## 1.21 Workplace Safety and Security

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

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

ONE BANK
ONE TEAM


BANK OF AZAD
JAMMU & KASHMIR

BAJK

Bank of Azad Jammu & Kashmir

آپ کی پہچان

بینک آف آزاد جموں و کشمیر

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