

THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

		2022	2021
	Note	----- Rupees in '000-----	
ASSETS			
Cash and balances with treasury banks	5	6,271,417	4,447,089
Balances with other banks	6	16,088,667	14,774,633
Lendings to financial institutions		-	-
Investments	7	163,197	183,775
Advances	8	3,290,230	2,815,313
Fixed assets	9	365,478	253,886
Intangible assets	10	-	-
Deferred tax assets	11	49,601	30,011
Other assets	12	2,232,866	1,046,611
		28,461,456	23,551,318
LIABILITIES			
Bills payable	13	82,751	158,180
Borrowings		-	-
Deposits and other accounts	14	21,004,229	17,270,623
Lease liabilities against right of use assets	15	161,246	138,519
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	1,344,311	563,110
		22,592,537	18,130,432
NET ASSETS		5,868,919	5,420,886
REPRESENTED BY			
Share capital	17	5,142,903	5,142,903
Reserves	18	360,650	269,037
Deficit on revaluation of assets	19	(23,828)	(13,797)
Unappropriated profit		389,194	22,743
		5,868,919	5,420,886


CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 41 form an integral part of these financial statements.


**President and
Chief Executive Officer**


Chief Financial Officer


Director


Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

Mark-up / return / interest earned
Mark-up / return / interest expensed
Net mark-up / interest income

NON MARK-UP / INTEREST INCOME

Fee and commission income
Dividend income
Other income
Total non-markup / interest income

Total income

NON MARK-UP / INTEREST EXPENSES

Operating expenses
Workers welfare fund
Other charges
Total non-markup / interest expenses

Profit before provisions
Provisions and write offs - net
Extra ordinary / unusual items

PROFIT BEFORE TAXATION

Taxation

PROFIT AFTER TAXATION

Note	2022 -----Rupees in '000-----	2021
21	3,222,394	1,672,565
22	1,451,441	668,344
	<u>1,770,953</u>	<u>1,004,221</u>
23	27,630	23,918
	10,575	6,924
24	13,587	4,799
	<u>51,792</u>	<u>35,641</u>
	<u>1,822,745</u>	<u>1,039,862</u>
25	914,018	600,056
	-	-
	-	-
	<u>914,018</u>	<u>600,056</u>
	<u>908,727</u>	<u>439,806</u>
26	29,085	36,963
	-	-
	<u>879,642</u>	<u>402,843</u>
27	(421,578)	(165,201)
	<u>458,064</u>	<u>237,642</u>

Rupees

Basic and diluted earnings per share

28 0.89 0.79

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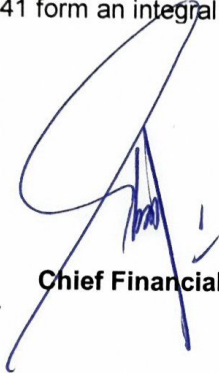
THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 -----Rupees in '000-----	2021
Profit after taxation for the year	458,064	237,642
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus on revaluation of investments - net	(20,578)	(2,070)
Related deferred tax expense	10,547	724
	(10,031)	(1,346)
Total comprehensive income	448,033	236,296

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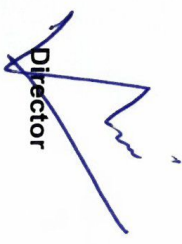
THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Surplus / (deficit) on revaluation	Unappropriated Profit	Statutory Reserve	Total
----- Rupees in '000 -----					
Balance as at January 01, 2021	2,129,911	(12,451)	267,130	-	2,384,590
Profit after taxation for the year ended December 31, 2021	-	-	237,642	-	237,642
Other comprehensive income					
Surplus on revaluation of available-for-sale securities - net of tax	-	(1,346)	-	-	(1,346)
Transfer to statutory reserve	-	-	(269,037)	269,037	-
Transactions with owners, recorded directly in equity					
Issue of shares against cash - note 17.5	2,800,000	-	-	-	2,800,000
Issue of bonus shares - note 17.5	212,992	-	(212,992)	-	-
Balance as at January 01, 2022	5,142,903	(13,797)	22,743	269,037	5,420,886
Profit after taxation for the year ended December 31, 2022	-	-	458,064	-	458,064
Other comprehensive income					
Surplus on revaluation of available-for-sale securities - net of tax	-	(10,031)	-	-	(10,031)
Transfer to statutory reserve	-	-	(91,613)	91,613	-
Closing balance as at December 31, 2022	5,142,903	(23,828)	389,194	360,650	5,868,919

The annexed notes 1 to 41 form an integral part of these financial statements.


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THE BANK OF AZAD JAMMU AND KASHMIR
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Note	-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	879,642	402,843
Less: Dividend income	(10,575)	(6,924)
	<u>869,067</u>	<u>395,919</u>
Adjustments:		
Depreciation	9.2 66,660	52,957
Provision and write-offs	29,085	36,963
Interest expense on lease liability	22 22,049	13,095
Provision for gratuity	25,160	16,814
Provision for leave encashment	46,457	11,669
Provision for bonus	48,009	23,000
Other provisions	15,534	-
Gain on sale of fixed assets	24 (6)	(175)
	<u>252,948</u>	<u>154,323</u>
	<u>1,122,015</u>	<u>550,242</u>
(Increase)/ decrease in operating assets		
Advances	(504,002)	(605,623)
Others assets (excluding advance taxation)	(1,186,255)	(196,484)
	<u>(1,690,257)</u>	<u>(802,107)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	(75,429)	90,766
Deposits	3,733,606	3,570,283
Other liabilities (excluding current taxation)	446,356	(2,013)
	<u>4,104,533</u>	<u>3,659,036</u>
	<u>3,536,291</u>	<u>3,407,171</u>
Interest paid on lease liability	(22,049)	(13,095)
Income tax paid	(230,936)	(137,117)
Net cash generated from operating activities	<u>3,283,306</u>	<u>3,256,959</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from placements with banks	(8,403,807)	(5,525,819)
Dividend income received	10,575	6,924
Investments in operating fixed assets	(115,629)	(51,075)
Proceeds from sale of fixed assets	-	175
Net cash used in investing activities	<u>(8,508,861)</u>	<u>(5,569,795)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	-	2,800,000
Principal paid against lease liability	(39,890)	(20,134)
Net cash generated from financing activities	<u>(39,890)</u>	<u>2,779,866</u>
Increase / (decrease) in cash and cash equivalents	<u>(5,265,445)</u>	<u>467,030</u>
Cash and cash equivalents at beginning of the year	<u>11,200,353</u>	<u>10,733,323</u>
Cash and cash equivalents at end of the year	29 <u><u>5,934,908</u></u>	<u><u>11,200,353</u></u>

The annexed notes 1 to 41 form an integral part of these financial statements.



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Chief Executive Officer**



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**THE BANK OF AZAD JAMMU AND KASHMIR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1 STATUS AND NATURE OF BUSINESS

The Bank of Azad Jammu and Kashmir (the Bank) is a public unlisted Bank which was incorporated in 2006 under the Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir and Behbood Fund & Group Insurance - Government autonomous body own 100 percent of ordinary shares of the Bank as on December 31, 2022 in proportion of 100% and 0% (2021: 97.59% and 2.41%) respectively.

The Bank has 82 branches (2021: 77 branches) in Azad Jammu and Kashmir.

2 BASIS OF PRESENTATION

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

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

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified by SECP under the Companies Act, 2017; and
- Provisions of and directives issued by the SBP under the Banking Companies Ordinance, 1962.

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

State Bank of Pakistan (SBP) via circular no. 3 of 2022 dated 05 July 2022, decided to extend the implementation IFRS 9 from 1 January 2022 to 1 January 2024 for Banks having assets size less than Rs. 500 billion. Nevertheless, early adoption of the Standard is permissible under the instructions issued through the same circular.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of the International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, the SECP vide its SRO 633 (I) / 2014, dated 10 July 2014 has deferred the applicability of International Accounting Standard (IAS) 40. "Investment Property" and International Financial Reporting Standard (IFRS) 7. "Financial Instruments: Disclosures" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars /regulations.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective for the year ended December 31, 2022

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Standard	Subject of amendment
IFRS 9 Financial instruments	Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the 10 per cent' test in paragraph B3 3 6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
IFRS 16 Leases	Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
IAS 41 Agriculture	Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 published today are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

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

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

Effective from accounting period beginning on or after

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:

January 01, 2023

- Replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their 'material' accounting policies; and

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

January 01, 2023

Classification of liabilities as current or non-current (Amendments to IAS 1)

January 01, 2023

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021. The change:

April 01, 2021

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);

- require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

January 01, 2022

- Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;

- Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and

- Add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.

January 01, 2022

- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

January 01, 2022

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41) states as follows

January 01, 2022

Amendments to IAS 12 'Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction. The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

January 01, 2023

Amendments to IFRS 16 'Leases' -Lease Liability in a Sale and Leaseback arrangement.

January 01, 2024

The change requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

While the November 2020 exposure draft had proposed that a seller-lessee initially measures the right-of-use asset and lease liability arising from a leaseback using the present value of expected lease payments at the commencement date, the final amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The amendments also include one amended and one new illustrative examples

Amendments to IFRS 10 & IAS 28, Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

Not yet finalized

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

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

2.4 Use of critical accounting estimates and judgments

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

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

3 BASIS OF MEASUREMENT

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Investments

4.2.1 Classification

Held for trading

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

Held to maturity

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

Available for sale

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

4.2.2 Regular way contracts

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

4.2.3 Initial measurement

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

4.2.4 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

4.2.5 Impairment

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

4.3 Advances

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

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

4.4 Fixed assets and depreciation

Capital work-in-progress

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

Tangible assets

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

Depreciation

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

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

4.5 Intangible assets

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

4.6 Right-of-use assets and related lease liability

4.6.1 Right of-use assets

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

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

4.6.2 Lease liability against right-of-use assets

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

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

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

4.7 Impairment

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

4.8 Deposits

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

4.9 Taxation

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

Current

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

Deferred

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

4.10 Staff retirement benefits

Gratuity scheme

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

Provident fund

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

Leave encashment

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

4.11 Revenue recognition

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

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

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

4.12 Government grant

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

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

4.13 Foreign currency transactions

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

4.14 Provisions

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

4.15 Off setting

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

4.16 Segment reporting

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

4.16.1 Business segment

Retail banking

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

Commercial banking

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

Payment and settlement

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

Agency service

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

4.16.2 Geographical segments

The Bank only operates in Azad Jammu and Kashmir.

4.17 Earning per share

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

5 CASH AND BALANCES WITH TREASURY BANKS

In hand		283,116	199,729
Local currency			
With National Bank of Pakistan in		2,111	36,676
Local currency current account	5.1	86,190	40,684
Local currency deposit account	5.2	5,900,000	4,170,000
Local currency term deposit account		5,988,301	4,247,360
		-	-
Prize bonds		6,271,417	4,447,089

5.1 This represents deposit accounts carrying markup rates ranging from 8.25% to 14.25% (2021: 6.5% to 7.5%) per annum.

5.2 This represents term deposits carrying markup rates ranging from 10.30% to 15.60% (2021: 7.07% to 7.76%) per annum having maturities within three months.

2022 2021
-----Rupees in '000-----

6 BALANCES WITH OTHER BANKS

In Pakistan (Azad Jammu and Kashmir)		494,362	331,776
In current account	6.1 & 6.2	15,594,305	14,442,857
In deposit account		16,088,667	14,774,633

6.1 This includes saving deposit accounts amounting Rs. 1,011,533 thousands (2021: Rs. 1,257,448 thousands) carrying markup rates ranging from 8.25% to 14.5% (2021: 6.5% to 7.5%) per annum.

6.2 This includes term deposits carrying markup at rates ranging between 10.60% to 22.50% (2021: 7.10% to 20%) per annum. Term deposits have maturities ranging from 1 months to 3 years except for two term deposits amounting to Rs. 500,000 thousand and Rs. 1,200,00 thousand placed with a bank maturing in 2029 and 2032 respectively.

7 INVESTMENTS

7.1 Investments by type

2022				2021			
Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
-----Rupees in '000-----							

Available-for-sale

Units of open ended mutual funds - note 7.5	205,000	-	(41,803)	163,197	205,000	-	(21,225)	183,775
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Held-to-maturity

Term finance certificates - note 7.3	49,940	(49,940)	-	-	49,940	(49,940)	-	-
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Total Investments

254,940	(49,940)	(41,803)	163,197	254,940	(49,940)	(21,225)	183,775
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7.2 Investments by segments

2022				2021			
Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
-----Rupees in '000-----							

Units of open ended mutual funds

Units of open ended mutual funds	205,000	-	(41,803)	163,197	205,000	-	(21,225)	183,775
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Non Government debt

Securities

Unlisted

Term finance certificates	49,940	(49,940)	-	-	49,940	(49,940)	-	-
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Total investments

254,940	(49,940)	(41,803)	163,197	254,940	(49,940)	(21,225)	183,775
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7.3 Particulars of held to maturity investment

No. of certificates		Name of company	Redeemable value per certificate	2022	2021	Credit rating
2022	2021			Rupees in '000	Rupees in '000	
10,000	10,000	Pace Pakistan Limited	4.994	49,940	49,940	Un-rated

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

2022 2021
-----Rupees in '000 -----

7.4 Particulars of provision for diminution in value of investments

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

7.4.2 Particulars of provision against debt securities Category of classification

	2022		2021	
	Non performing Investments	Provision	Non performing Investments	Provision
	-----Rupees in '000-----			
Domestic Loss	49,940	49,940	49,940	49,940

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

2022				2021			
No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)	No. of units	Cost (Rupees in '000)	Market value (Rupees in '000)	Market value per unit (Rs)

Listed companies sector - wise

Units of open ended mutual funds:

National Investment Unit Trust Fund	1,313,081	100,000	75,922	57.82	1,313,081	100,000	91,167	69.43
NIT Government Bond Fund	3,184,047	30,000	33,423	10.50	3,184,047	30,000	31,865	10.01
NIT Islamic Equity Fund	4,329,197	50,000	31,170	7.20	4,329,197	50,000	39,179	9.05
MCB Dynamic Cash Fund	207,730	25,000	22,682	114.74	213,822	25,000	21,564	110.53
	205,000	163,197			205,000	183,775		

8 ADVANCES

Performing		Non performing		Total	
2022	2021	2022	2021	2022	2021
----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	3,369,395	2,866,660	134,644	136,739	3,504,039
Advances - gross	3,369,395	2,866,660	134,644	136,739	3,504,039
Provision against advances					
- Specific	-	-	(127,687)	(108,487)	(127,687)
- General - note 8.1	(86,122)	(79,599)	-	-	(86,122)
	(86,122)	(79,599)	(127,687)	(108,487)	(213,809)
Advances - net of provision	3,283,273	2,787,061	6,957	28,252	3,290,230

8.1 General provision includes provision amounting to Rs. 86,122 thousand (2021: Rs. 79,599 thousand) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP.

8.2 Particulars of advances (Gross)

3,504,039 3,003,399

In local currency

8.3 Advances include Rs. 134,644 thousand (2021: Rs. 136,739 thousand) which have been placed under non-performing status as detailed below:-

Category of classification

	2022		2021	
	Non performing loans	Provision	Non performing loans	Provision
	----- Rupees in '000 -----			
Domestic	-	-	-	-
Other assets especially mentioned	4,883	854	4,627	742
Substandard	1,151	437	518	259
Doubtful	128,610	126,396	131,594	107,486
Loss	134,644	127,687	136,739	108,487
Total				

8.4 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	108,487	79,599	188,086	147,620	55,719	203,339
Charge for the year	41,697	6,523	48,220	37,669	23,880	61,549
Reversals	(19,135)	-	(19,135)	(24,586)	-	(24,586)
	22,562	6,523	29,085	13,083	23,880	36,963
Amounts charged off - agriculture financing	(3,362)	-	(3,362)	(52,216)	-	(52,216)
Closing balance	127,687	86,122	213,809	108,487	79,599	188,086

8.4.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	127,687	86,122	213,809	108,487	79,599	188,086
	127,687	86,122	213,809	108,487	79,599	188,086

8.5 These represent non-performing advances for agriculture finance which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

8.6 The FSV benefit availed as at December 31, 2022 is Rs. 3,956 thousand (2021: Rs. 25,790 thousand). Had the FSV benefit not been availed, Bank's profit before and after tax would have been decreased by Rs. 2,719 thousand (2021: Rs. 23,740 thousand) and Rs. 1,417 thousand (2021: Rs. 15,730 thousand) respectively. under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

9 FIXED ASSETS

	Note	2022	2021
		-----Rupees in '000 -----	
Capital work-in-progress	9.1	16,002	10,436
Property and equipment	9.2	349,476	243,450
		365,478	253,886

9.1 Capital work-in-progress

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

	2022	2021
	-----Rupees in '000 -----	
Advances to suppliers	16,002	10,436

	2022						
	Freehold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles
							Right of use asset
							Total
-----Rupees '000-----							
At January 1, 2022							
Cost	40,400	14,407	65,060	91,861	34,608	46,463	37,327
Accumulated depreciation	-	(12,379)	(46,600)	(59,809)	(26,422)	(34,198)	(27,368)
Net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959
Year ended December 2022							
Opening net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959
Additions	28,685	-	19,095	22,026	3,698	16,776	19,783
Disposals	-	-	-	-	-	-	-
Cost	-	-	76	234	-	-	-
Accumulated depreciation	-	-	(76)	(228)	-	-	-
Depreciation charge	-	(1,015)	(8,863)	(8,203)	(3,369)	(4,527)	(3,858)
Closing net book value	69,085	1,013	28,692	45,881	8,515	24,514	25,884
At December 31, 2022							
Cost	69,085	14,407	84,231	114,121	38,306	63,239	57,110
Accumulated depreciation	-	(13,394)	(55,539)	(68,240)	(29,791)	(38,725)	(31,226)
Net book value	69,085	1,013	28,692	45,881	8,515	24,514	25,884
Rate of depreciation (percentage)	-	10%	20%	10%-20%	20%	20%	6% - 33%
-----Rupees '000-----							
At January 1, 2021							
Cost	40,400	14,407	55,286	80,656	31,259	37,464	28,605
Accumulated depreciation	-	(11,104)	(40,464)	(52,161)	(23,282)	(31,864)	(26,902)
Net book value	40,400	3,303	14,822	28,495	7,977	5,600	1,703
Year ended December 2021							
Opening net book value	40,400	3,303	14,822	28,495	7,977	5,600	1,703
Additions	-	-	9,774	11,205	3,349	8,999	10,471
Disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge	-	(1,275)	(6,136)	(7,648)	(3,140)	(2,334)	(2,215)
Closing net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959
At December 31, 2021							
Cost	40,400	14,407	65,060	91,861	34,608	46,463	37,327
Accumulated depreciation	-	(12,379)	(46,600)	(59,809)	(26,422)	(34,198)	(27,368)
Net book value	40,400	2,028	18,460	32,052	8,186	12,265	9,959
Rate of depreciation (percentage)	-	10%	20%	10%-20%	20%	20%	6% - 33%

9.2.1 Property and equipment includes cost of Rs. 5,485 thousand (2021: Rs. 5,485 thousand) and accumulated depreciation amounting to Rs. 5,485 thousand (2021: Rs. 5,485 thousand) in respect of assets donated by the Government of Azad Jammu and Kashmir.

9.3 The total cost includes fixed assets of Rs.135,067 thousand (2021: Rs. 112,624 thousand) having zero book value on which no depreciation was charged during the year.

9.4 **Detail of disposals of operating fixed assets**

Particulars of assets	Cost	Accumulated depreciation	Book value	Sale proceeds
	----- Rupees '000 -----			
2022				
Furniture and fixture	234	(228)	6	12
Leasehold improvements	76	(76)	-	-
Total	310	(304)	6	12
2021				
Vehicles	1,749	1,749	-	175

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

	2022	2021
	----- Rupees in '000 -----	
Buildings & Lease hold improvements	-	26,520
Furniture and fixtures	39,266	22,847
Office equipments	18,588	15,025
Computer equipments	29,365	24,593
Vehicles	28,605	23,639
Leasehold improvements	14,988	-
Leasehold land	4,255	-
Total	135,067	112,624

10 **INTANGIBLE ASSETS**

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

11 **DEFERRED TAX ASSETS**

Deductible temporary differences on

- Deficit on revaluation of investments
- Provision against customer claims
- Provision against receivable from Kashmir Council
- Lease liabilities against right of use assets
- Provision against non-performing advances

Taxable temporary differences on

- Accelerated tax depreciation

	2022			
	At January 1, 2022	Recognised in P&L A/C	Recognised in OCI	At December 31, 2022
	----- Rupees in 000 -----			
	7,428	-	10,547	17,975
	3,101	7,371	-	10,472
	1,685	385	-	2,070
	48,482	20,854	-	69,336
	350	329	-	679
	61,046	28,939	10,547	100,532
	(31,035)	(19,896)	-	(50,931)
	30,011	9,043	10,547	49,601

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

		2021	
		-----Rupees in '000-----	
		2022	2021
		-----Rupees in '000-----	
		Note	
12 OTHER ASSETS			
Income/ mark-up accrued in local currency - net of provision	12.1	2,170,017	1,040,052
Advances, deposits, advance rent and other prepayments		2,111	419
Advance taxation		-	-
Branch adjustment account		6,371	4,322
Stationery and stamps in hand		59,182	6,633
Others		2,237,681	1,051,426
Less: Provision held against other assets	12.2	(4,815)	(4,815)
Other assets (net of provision) - total		2,232,866	1,046,611
12.1	This balance has been arrived at after adjusting interest in suspense account of Rs. 139,879 thousand (2021: Rs. 128,011 thousand).		
12.2	Provision held against other assets		
		Note	
Receivable from Kashmir Council	12.3	4,815	4,815
12.3	Movement in provision held against other assets		
Opening balance		4,815	4,815
Closing balance		4,815	4,815
13 BILLS PAYABLE			
In Pakistan		82,751	158,180

14 DEPOSITS AND OTHER ACCOUNTS

	2022		2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies
Rupees in '000					
Customers					
Current deposits	5,798,619	-	5,798,619	5,004,027	-
Savings deposits	10,267,737	-	10,267,737	8,090,461	-
Term deposits	4,761,520	-	4,761,520	4,062,072	-
Others	176,353	-	176,353	114,063	-
	21,004,229	-	21,004,229	17,270,623	-

14.1 Composition of deposits

- Individuals
- Government
- Private sector

	2022	2021
	11,204,859	8,765,471
	9,578,386	8,332,479
	220,984	172,673
	21,004,229	17,270,623

15 LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS

Lease liabilities included in the statement of financial position

of which are:

Current lease liability

Non current lease liability

	161,246	138,519
	44,372	22,537
	116,874	115,982
	161,246	138,519

Maturity analysis - contractual undiscounted cashflows

Less than one year

One to five years

More than five years

Total undiscounted lease liabilities

	47,439	37,586
	140,048	122,234
	46,827	31,910
	234,314	191,730

- 15.1 The lease contracts are signed by the Bank for the premises of its branches. The terms of lease contracts range from 3 years to 15 years. The internal borrowing rates used for discounting of lease cashflows range from 8.48% to 18.33%.

16 OTHER LIABILITIES

	2022	2021
	669,649	247,452
	12,576	4,149
	264,620	64,935
	30,085	102,067
	48,009	24,001
	24,354	8,861
	81,121	48,242
	46,113	19,186
	167,784	44,217
	1,344,311	563,110

- 16.1 It includes an amount of Rs. 288,873 thousand (2021: Rs. 100,571 thousand) on account of interest payable to related parties.

17 SHARE CAPITAL

17.1 Authorized capital

2022	2021		2022	2021
Number of shares			Rupees in '000	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

17.2 Issued, subscribed and paid up share capital

2022	2021		2021	2021
Number of shares		Ordinary shares	Rupees in '000	
514,290,320	411,794,220	Fully paid in cash	5,142,903	4,117,942
-	97,480,900	Issued as bonus shares	-	974,809
-	5,015,200	Issued for consideration other than cash	-	50,152
<u>514,290,320</u>	<u>514,290,320</u>		<u>5,142,903</u>	<u>5,142,903</u>

17.3 The Government of Azad Jammu and Kashmir and Behbood Fund & Group Insurance - Government autonomous body own 100% percent of ordinary shares of the Bank as on December 31, 2022 in proportion of 100% and 0% (2021: 97.59% and 2.41%) respectively.

17.4 Reconciliation of number of ordinary shares

	Note	2022	2021	2022	2021
		Number of shares		Rupees in 000	
Shares at the beginning of the year		514,290,320	212,991,200	5,142,903	2,129,911
Bonus shares issued during the year	17.5	-	21,299,120	-	212,992
Shares issued against cash consideration		-	280,000,000	-	2,800,000
Shares at the year end		<u>514,290,320</u>	<u>514,290,320</u>	<u>5,142,903</u>	<u>5,142,903</u>

17.5 During the year the Bank has issued nil (2021: 21,299,120) bonus shares amounting to Rs. nil (2021: Rs. 212,992 thousand) to its shareholders.

18 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.

19	DEFICIT ON REVALUATION OF ASSETS	Note	2022	2021
			Rupees in '000	
	Deficit on revaluation of:			
	- Available for sale securities	7.1	(41,803)	(21,225)
	Deferred tax on deficit on revaluation of:			
	- Available for sale securities		17,975	7,428
			<u>(23,828)</u>	<u>(13,797)</u>

20 CONTINGENCIES AND COMMITMENTS

Guarantees	20.1	35,867	19,586
Commitments	20.2	144,528	52,484
Bills for collection	20.3	10,816	58,235
		<u>191,211</u>	<u>130,305</u>

	Note	2022 -----Rupees in 000-----	2021
20.1 Guarantees			
Financial guarantees		<u>35,867</u>	<u>19,586</u>
20.2 Commitments			
Loan sanctioned but not disbursed		109,993	23,153
Unavailed running finance		<u>34,535</u>	<u>29,331</u>
		<u>144,528</u>	<u>52,484</u>
20.3 Bills for collection	20.3.1	<u>10,816</u>	<u>58,235</u>
20.3.1 Bills for collection represent bills drawn in favour of various financial institutions on behalf of the Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.			
21 MARK-UP/ RETURN/ INTEREST EARNED	Note	2022 ----- Rupees in 000 -----	2021
On:			
a) Loans and advances	21.1	468,536	387,750
b) Balances with banks		<u>2,753,858</u>	<u>1,284,815</u>
		<u>3,222,394</u>	<u>1,672,565</u>
21.1 This includes an amount of Rs. 3,010 thousands (2021: Rs.1,351 thousands) on account of interest earned on advances given to related parties.			
22 MARK-UP/ RETURN/ INTEREST EXPENSED	Note	2022 -----Rupees in '000-----	2021
On:			
Deposits	22.1	1,429,392	655,249
Lease liability		<u>22,049</u>	<u>13,095</u>
		<u>1,451,441</u>	<u>668,344</u>
22.1 This includes an amount of Rs. 247,921 thousand (2021: Rs. 219,803 thousand) on account of interest expense on related party deposits.			
23 FEE AND COMMISSION INCOME		2022 -----Rupees in '000-----	2021
Branch banking customer fees		3,078	2,861
Commission on cheques books		5,240	4,754
Credit related fees		7,571	6,055
Commission on guarantees		807	535
Commission on remittances (including home remittances)		2,236	1,463
Commission on utility bills		5,934	5,229
Postage		641	587
Others		<u>2,123</u>	<u>2,434</u>
		<u>27,630</u>	<u>23,918</u>

		2022	2021
		-----Rupees in '000-----	
	Note		
24 OTHER INCOME		6	175
Gain on sale of fixed assets		9,330	4,620
Site visits and fee collection charges		4,229	-
Recovery against advances charged off		22	4
Others		<u>13,587</u>	<u>4,799</u>
25 OPERATING EXPENSES		557,998	362,681
Total compensation expense	25.1		
Property expense			
Rent & taxes		60	16
Insurance		1,998	1,206
Utilities cost		30,550	21,765
Security (including guards)		37,280	31,717
Repair & maintenance (including janitorial charges)		15,783	10,067
Depreciation on right of use asset		36,825	30,209
Depreciation		9,173	7,345
		<u>131,669</u>	<u>102,325</u>
Information technology expenses			
Software maintenance		19,579	17,895
Hardware maintenance		4,022	2,516
Depreciation		7,765	5,396
Network charges		8,626	7,095
		<u>39,992</u>	<u>32,902</u>
Other operating expenses			
Directors' fees and allowances		3,423	3,568
Legal & professional charges		6,294	6,099
Travelling & conveyance		19,631	11,296
Depreciation		13,099	10,007
Entertainment		19,019	13,832
Training & development		4,008	132
Postage & courier charges		4,185	3,638
Communication		4,632	4,209
Stationery & printing		19,195	13,013
Marketing, advertisement & publicity		5,492	3,406
Auditors remuneration	25.2	2,431	2,415
Education cess		43,070	16,808
Others	25.3	39,880	13,725
		<u>184,359</u>	<u>102,148</u>
		<u>914,018</u>	<u>600,056</u>
25.1 Total compensation expense		251,505	170,492
Fees and allowances etc.		-	-
Managerial remuneration		-	-
i) Fixed		57,562	29,920
ii) Variable - cash bonus		9,790	7,296
Contribution to defined contribution plan		25,160	16,814
Contribution to defined gratuity fund		75,946	60,294
Rent & house maintenance		16,781	13,336
Utilities		18,372	14,669
Medical		102,882	49,860
Conveyance		<u>557,998</u>	<u>362,681</u>

		2022	2021
		-----Rupees in '000-----	
25.2	Auditors' remuneration		
	Audit fee	2,210	2,205
	Out-of-pocket expenses	221	210
		<u>2,431</u>	<u>2,415</u>
25.3	This includes provision amounting to Rs. 15,534 thousands recorded against an instance of fraud at one of the branch of the bank.		
26	PROVISIONS AND WRITE OFFS - NET	2022	2021
		-----Rupees in '000-----	
	Charge of provisions against loans & advances - net	29,085	36,963
	Insurance claims received	-	-
		<u>29,085</u>	<u>36,963</u>
27	TAXATION		
	Current	430,621	168,081
	Deferred	(9,043)	(2,880)
		<u>421,578</u>	<u>165,201</u>
27.1	Relationship between tax expense and accounting profit		
		2022	2021
		% Rupees in '000	% Rupees in '000
	Profit before taxation	879,642	402,843
	Applicable tax rate / expense	39% 343,060	35.00% 140,995
	Super tax	10% 87,964	4.00% 16,114
	Expense not allowed	-1% (9,446)	1.51% 8,092
	Actual tax rate / expense	48% 421,578	40.51% 165,201
		<u>421,578</u>	<u>165,201</u>
	Total tax charge as per financial statements		
		<u>421,578</u>	<u>165,201</u>
28	BASIC AND DILUTED EARNINGS PER SHARE	2022	2021
		-----Rupees in '000-----	
	Profit for the year	458,064	237,642
	Weighted average number of ordinary shares (Number)	514,290,320	300,262,923
	Basic and diluted earnings per share (Rupees)	0.89	0.79
29	CASH AND CASH EQUIVALENTS	2022	2021
		----- Rupees in '000 -----	
	Cash and balance with treasury banks	571,417	2,947,089
	Balance with other banks	5,363,491	8,253,264
		<u>5,934,908</u>	<u>11,200,353</u>
29.1	Cash and cash equivalents include the cash in hand, balances in savings deposits and term deposits with maturity of less than 3 months.		
30	STAFF STRENGTH	2022	2021
		----- Number -----	
	Permanent	427	268
	On bank contract	91	161
	Bank's own staff strength at the end of the year	518	429
	Outsourced Staff (Including guarding and janitorial services)	154	138
	Total staff strength at the end of the year	<u>672</u>	<u>567</u>

31 DEFINED CONTRIBUTION PLANS

31.1 General description

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

31.2 Gratuity

The Bank contributed Rs. 25,160 thousand (2021: Rs. 16,814 thousand) for 427 (2021: 268) of its permanent employees during the year towards employees gratuity fund.

31.3 Provident fund

The Bank contributed Rs. 9,790 thousand (2021: 7,296 thousand) in respect of 427 (2021: 268) 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.

32 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

32.1 Total compensation expense

Item	2022			
	Directors		President	Key management personnel
	Chairman	Non-Executives		
	----- Rupees in '000 -----			
Fees and Allowances etc.	-	-	7,291	24,673
Managerial Remuneration				
i) Fixed	-	-	-	-
ii) Variable (bonus)	75	2,450	1,066	3186
Contribution to defined contribution provident fund	-	-	-	-
Contribution to defined contribution gratuity fund	-	-	533	1,593
Rent & house maintenance	-	-	1,943	10,393
Utilities	-	-	332	2,310
Medical	-	-	1,437	2,574
Conveyance	-	-	1,034	9,462
Vehicle	-	-	-	3,464
Fuel expense	-	-	-	4,193
Others (mobile charges, TA & DA)	-	898	408	4,018
Total	75	3,348	14,044	65,866
Number of Persons	1	9	1	13

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

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

2022							
Name of director	Meeting fees and allowances paid						Total amount paid
	For board meetings	For board committees					
		Board Human resource committee	Board audit committee	Board IT committee	Risk Management committee	Special committee	
-----Rupees in '000'-----							
1 Mr. Abdul Majid Khan	75	-	-	-	-	-	75
2 Mr. Asmatullah Shah	75	150	175	100	-	-	500
3 Mr. Syed Zahoor Gillani	50	-	-	50	-	-	100
4 Mr. Mubashar Nabi	100	150	-	100	125	-	475
5 Syed Haider Abbas	100	-	175	-	125	50	450
6 Mr. Zuilfiqar Abbasi	75	-	175	-	-	100	350
7 Dr. Muhammad Idress	50	75	-	-	50	-	175
8 Mr Irshad Qureshi	50	50	-	-	50	100	250
9 Mr. Wajahat Rasheed Baig	50	-	-	50	-	50	150
Total amount paid	625	425	525	300	350	300	2,525

2021						
Name of director	Meeting fees and allowances paid					Total amount paid
	For board meetings	For board committees				
		Board executive	Board audit committee	Board IT committee	Special committee	
Rupees in '000'						
1 Mr. Abdul Majid Khan	50	-	-	-	-	50
2 Mr.Shakeel Qadir	50	-	-	-	-	50
3 Mr Haque Nawaz	75	-	-	-	-	75
4 Dr. Shahzad Khan Bangash	50	-	-	-	-	50
5 Mr. Asmatullah Shah	150	150	150	75	125	650
6 Ejaz Hussain Rathore	150	-	150	75	125	500
7 Naveed Sadiq	75	-	-	-	-	75
8 Mr.Raja Mumtaz Ali	125	150	150	-	-	425
9 Mr.Fayyaz Ali Abbasi	125	-	125	25	-	275
10 Mr.Mohammad Ahsen	75	100	-	50	-	225
11 Mr. Syed Zahoor Gillani	150	50	-	75	-	275
12 Mr.Irshad Ahmed Qureshi	25	-	-	-	-	25
13 Mr. Mubashar Nabi	25	-	-	-	-	25
14 Syed Haider Abbas	25	-	-	-	-	25
15 Mr.Zuilfiqar Abbasi	25	-	-	-	-	25
16 Mr.Ehsan Khalid	50	-	25	-	-	75
Total amount paid	1,225	450	600	300	250	2,825

33 FAIR VALUE MEASUREMENTS

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

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

33.1 Fair value of financial assets

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

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

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

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

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

	2022			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual funds	163,197	-	-	163,197
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	6,271,417
Balances with other banks	-	-	-	16,088,667
Advances	-	-	-	3,290,230
Other assets	-	-	-	2,226,495

	2021			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual funds	183,775	-	-	183,775
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	4,447,089
Balances with other banks	-	-	-	14,774,633
Advances	-	-	-	2,815,313
Other assets	-	-	-	1,042,289

34 SEGMENT INFORMATION

34.1 Segment details with respect to Business Activities

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

2022				
Profit and loss	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services
Rupees in '000				
Net mark-up/ return/ profit	416,289	1,354,664	-	-
Non mark-up / return / interest income	4,407	19,703	19,825	7,857
Total income	420,696	1,374,367	19,825	7,857
Segment direct expenses	(117,441)	(788,849)	(5,534)	(2,193)
Total expenses	(117,441)	(788,849)	(5,534)	(2,193)
Provisions (charged) / reversal	(15,799)	(13,286)	-	-
Profit before tax	287,456	572,232	14,291	5,664

Statement of financial position

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000					
Cash & bank balances	-	22,360,084	-	-	22,360,084
Investments	-	163,197	-	-	163,197
Advances - performing	2,878,180	491,215	-	-	3,369,395
- non-performing	44,308	90,336	-	-	134,644
- provision	(129,190)	(84,619)	-	-	(213,809)
Operating fixed assets	46,960	315,428	2,213	877	365,478
Deferred tax asset	6,373	42,808	300	120	49,601
Others	1,817,943	414,391	381	151	2,232,866
Total assets	4,664,574	23,792,840	2,894	1,148	28,461,456
Bills payable	-	82,751	-	-	82,751
Deposits and other accounts	-	21,004,229	-	-	21,004,229
Lease liability against right of use asset	20,718	139,164	976	388	161,246
Others	105,640	1,208,494	30,151	26	1,344,311
Total liabilities	126,358	22,434,638	31,127	414	22,592,537
Equity	4,538,216	1,358,202	(28,233)	734	5,868,919
Total equity and liabilities	4,664,574	23,792,840	2,894	1,148	28,461,456
Contingencies and commitments	23,153	29,331	10,816	35,867	99,167

Profit and loss

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

Statement of financial position

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

35 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

36 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:

	2022				2021			
	Government of Azad Jammu & Kashmir and its related department	Directors	Key management personnel	Government of Azad Jammu & Kashmir and its related department	Directors	Key management personnel		
----- Rupees in '000 -----								
Advances								
Opening balance	-	-	61,031	-	-	32,503		
Addition during the year	-	-	-	-	-	31,778		
Repaid during the year	-	-	44,252	-	-	(3,250)		
Closing balance	-	-	105,283	-	-	61,031		
Deposits and other accounts								
Opening balance	8,332,479	-	4,384	5,439,545	-	663		
Received during the year	10,636,140	-	(1,145)	2,892,934	-	3,721		
Withdrawal during the year	(9,390,233)	-	-	-	-	-		
Closing balance	9,578,386	-	3,239	8,332,479	-	4,384		
14.1								
Other Liabilities								
Interest / mark-up payable	288,873	-	-	100,571	-	-		
16.1								
Transactions during the year								
Income								
Mark-up / return / interest earned	-	-	3,010	-	-	1,351		
Other Income	-	-	-	-	-	175		
	-	-	3,010	-	-	1,526		
Expense								
Mark-up / return / interest paid	247,904	-	17	219,715	-	88		
Operating expenses	-	3,348	79,910	-	3,568	51,999		
22.1								
32.1								
	247,904	3,348	79,927	219,715	3,568	52,087		

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum capital requirement (MCR)

Paid-up capital (net of losses)

2022	2021
-----Rupees in '000-----	
10,000,000	10,000,000

Capital adequacy ratio (CAR)

Eligible common equity tier 1 (CET 1) capital

Eligible additional tier 1 (ADT 1) capital

Total regulatory adjustment applied to CET1

Total eligible Tier 1 capital

Eligible tier 2 capital

Total eligible capital (Tier 1 + Tier 2)

5,824,278	5,165,646
-	-
-	-
5,824,278	5,165,646
86,122	65,802
5,910,400	5,231,448

Risk weighted assets (RWAs):

Credit risk

Market risk

Operational risk

Total

10,351,574	8,697,335
407,993	459,438
2,277,353	1,517,260
13,036,919	10,674,033

Common equity tier 1 capital adequacy ratio

Tier 1 capital adequacy ratio

Total capital adequacy ratio

44.68%	48.39%
44.68%	48.39%
45.34%	49.01%

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, 2022 stood at Rs.5,445 million (2021: Rs.5,445 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, 2022.

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.

Leverage ratio (LR)

Eligible tier-1 capital

Total exposures

Leverage ratio

2022	2021
-----Rupees-----	
5,824,278	5,165,646
28,652,667	23,681,623
20%	22%

Liquidity coverage ratio (LCR)

Total high quality liquid assets

Total net cash outflow

Liquidity coverage ratio

22,360,084	19,221,722
10,661,825	5,953,917
210%	323%

Net stable funding ratio (NSFR)

Total available stable funding

Total required stable funding

Net stable funding ratio

16,107,537	13,209,976
13,041,637	10,970,802
124%	120%

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

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

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

38.1 Credit Risk

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

38.1.1 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Government bonds	-	-	-	-	-	-
Construction- TFC	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)
	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)

Credit risk by public / private sector

	2022	2021	2022	2021	2022	2021
Public	-	-	-	-	-	-
Private	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)
	49,940	49,940	(49,940)	(49,940)	(49,940)	(49,940)

38.1.2 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Agriculture, Forestry, Hunting and Fishing	14,671	6,175	4,221	4,935	3,341	4,936
Wholesale and Retail Trade	449,405	275,944	58,468	59,882	57,076	35,623
Individuals	2,972,396	2,680,006	47,670	41,238	43,068	37,244
Others	67,567	41,214	24,285	30,684	24,202	30,684
	3,504,039	3,003,339	134,644	136,739	127,687	108,487

Credit risk by public / private sector

	2022	2021	2022	2021	2022	2021
Public/ Government	-	-	-	-	-	-
Private	3,504,039	3,003,399	134,644	136,739	127,687	108,487
	3,504,039	3,003,399	134,644	136,739	127,687	108,487

38.1.3 Contingencies and Commitments

Credit risk by industry sector

Wholesale and Retail Trade
Individuals
Others

2022	2021
-----Rupees '000-----	
34,535	29,331
120,809	81,388
35,867	19,586
<u>191,211</u>	<u>130,305</u>

Credit risk by public / private sector

Public/ Government
Private

2022	2021
-----Rupees '000-----	
35,867	19,586
155,344	110,719
<u>191,211</u>	<u>130,305</u>

38.1.4 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 232,683 thousand (2021: Rs. 186,348 thousand) are as following:

	2022	2021
	-----Rupees in '000-----	
Funded	207,142	166,762
Non funded	35,867	19,586
Total exposure	<u>243,009</u>	<u>186,348</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 248,541 thousand (2021: Rs. 184,500 thousand)

Total funded classified therein

	2022		2021	
	Amount	Provision held	Amount	Provision held
	-----Rupees in '000-----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	102,261	102,261	52,448	28,448
Total	<u>102,261</u>	<u>102,261</u>	<u>52,448</u>	<u>28,448</u>

38.1.5 Advances - Province/Region-wise Disbursement & Utilization

Total amount of disbursement and utilization is in Azad Jammu and Kashmir of Rs. 1,610,553 thousands (2021: 1,733,356 thousands)

38.2 Market Risk

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

38.2.1 Foreign exchange risk

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

38.2.2 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000-----						
Cash and balances with treasury banks	6,271,417	-	6,271,417	4,447,089	-	4,447,089
Balances with other banks	16,088,667	-	16,088,667	14,774,633	-	14,774,633
Investments	-	163,197	163,197	-	183,775	183,775
Advances	3,290,230	-	3,290,230	2,815,313	-	2,815,313
Fixed assets	365,478	-	365,478	253,886	-	253,886
Deferred tax assets	49,601	-	49,601	30,011	-	30,011
Other assets	2,232,866	-	2,232,866	1,046,611	-	1,046,611
	28,298,259	163,197	28,461,456	23,367,543	183,775	23,551,318

38.2.3 Equity position Risk

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

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

2022		2021	
Banking book	Trading book	Banking book	Trading book
----- Rupees in '000-----			

Impact of 5% change in equity prices on:

- Other comprehensive income

-	8,160	-	9,189
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38.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

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

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

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

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

2022		2021	
Banking book	Trading book	Banking book	Trading book
-----Rupees in '000-----			

Impact of 1% change in interest rates on

- Profit and loss account

(48,797)	-	(34,869)	-
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38.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	Effective Yield/ Interest rate	Total	2022										Non-interest bearing financial instruments
			Exposed to Yield/ Interest risk										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- Rupees in '000 -----													
On-balance sheet financial instruments													
<u>Assets</u>													
Cash and balances with treasury banks	12.76%	6,271,417	86,190	200,000	4,000,000	1,700,000	-	-	-	-	-	-	285,227
Balances with other banks	6.89%	16,088,667	2,649,564	1,200,000	999,000	8,745,741	300,000	-	-	1,700,000	-	-	494,362
Investments	6.48%	163,197	-	-	-	-	-	-	-	-	-	-	163,197
Advances	14.24%	3,290,230	103,617	80,184	178,573	354,379	223,273	528,026	1,563,940	261,510	-	-	-
Other assets		2,170,017	-	-	-	-	-	-	-	-	-	-	2,170,017
		27,983,528	2,839,371	1,480,184	5,177,573	10,800,120	523,273	528,026	1,563,940	1,961,510	-	-	3,112,803
<u>Liabilities</u>													
Bills payable		82,751	-	-	-	-	-	-	-	-	-	-	82,751
Deposits and other accounts	6.81%	21,004,229	3,467,684	3,530,034	3,469,284	7,646,224	13,977	21,070	174,660	-	-	-	2,681,296
Liability against right of use asset		161,246	2,543	4,736	7,255	13,761	26,490	25,595	43,298	37,568	-	-	-
Other liabilities		881,822	-	-	-	-	-	-	-	-	-	-	881,822
		22,130,048	3,470,227	3,534,770	3,476,539	7,659,985	40,467	46,665	217,958	37,568	-	-	3,645,869
On-balance sheet gap		5,853,480	(630,856)	(2,054,586)	1,701,034	3,140,135	482,806	481,361	1,345,982	1,923,942	-	-	(533,066)
Off-balance sheet financial instruments													
Commitments to extend credit		144,528	144,528	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		144,528	144,528	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(775,384)	(2,054,586)	1,701,034	3,140,135	482,806	481,361	1,345,982	1,923,942	-	-	(533,066)
Cumulative Yield/Interest Risk Sensitivity Gap			(775,384)	(2,829,970)	(1,128,936)	2,011,199	2,494,005	2,975,366	4,321,348	6,245,290	6,245,290	6,245,290	(533,066)

Effective Yield/ Interest rate	Total	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	

Rupees in '000

On-balance sheet financial instruments**Assets**

Cash and balances with treasury banks	6.89%	4,447,089	2,670,000	1,500,000	-	-	-	-	236,405
Balances with other banks	6.89%	14,774,633	6,664,040	5,721,369	-	-	-	800,000	331,776
Investments	3.77%	183,775	-	-	-	-	-	-	183,775
Advances	13.77%	2,815,313	126,656	90,567	228,728	143,174	295,309	1,615,744	187,544
Other assets		1,040,052	-	-	-	-	-	-	1,040,052
		23,260,862	1,422,745	9,460,696	7,311,936	143,174	295,309	1,615,744	1,792,008

Liabilities

Bills payable		158,180	-	-	-	-	-	-	158,180
Deposits and other accounts	3.79%	17,270,623	2,725,432	3,062,632	5,622,732	11,886	29,920	209,143	2,681,296
Liability against right of use asset		138,519	1,811	5,502	11,597	23,606	21,205	43,597	-
Other liabilities		416,826	-	-	-	-	-	-	416,826
		17,984,148	2,727,243	2,931,286	3,068,134	35,492	51,125	252,740	3,256,302
		5,276,714	(1,304,498)	6,529,410	4,243,802	107,682	244,184	1,363,004	187,544

On-balance sheet gap**Off-balance sheet financial instruments**

Commitments to extend credit		52,484	-	-	-	-	-	-	-
Off-balance sheet gap		52,484	-	-	-	-	-	-	-
		(1,356,982)	6,529,410	4,243,802	(5,405,601)	107,682	244,184	1,363,004	187,544
		(1,356,982)	5,172,428	9,416,230	4,010,629	4,118,311	4,362,495	5,725,499	6,688,524

Cumulative Yield/Interest Risk Sensitivity Gap

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

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

2022
-----Rupees in '000-----

2021
-----Rupees in '000-----

Reconciliation of total assets

Total financial assets	27,983,528	23,260,862
Add: Non financial assets		
Operating fixed assets	365,478	253,886
Other assets	62,849	6,559
Deferred tax asset	49,601	30,011
	477,928	290,456
Balance as per statement of financial position	28,461,456	23,551,318

Reconciliation of total liabilities

Total financial liabilities	22,130,048	17,984,148
Add: Non financial liabilities		
Other Liabilities	462,489	146,284
Deferred govt. grant	-	-
Balance as per statement of financial position	22,592,537	18,130,432

38.3**Operational Risk**

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

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

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years

Share capital	5,142,903
Reserves	269,037
Unappropriated profit	22,743
Deficit on revaluation of assets	(13,797)
	<u>5,420,886</u>

39 CORRESPONDING FIGURES

Changes have been made in corresponding figures under cash flow from operating activities in the cash flow statement to conform to current year's presentation.

40 GENERAL

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

41 DATE OF AUTHORIZATION

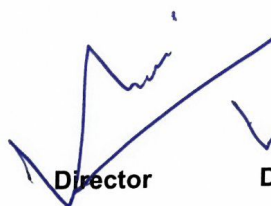
These financial statements were authorized for issue by the Board of Directors of the Bank on 14 JUL 2023
uf.



President and
Chief Executive Officer



Chief Financial Officer



Director



Director



Director