

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

Opinion

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

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

Basis for opinion

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

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

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

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

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

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 Shahzad Ali.


Chartered Accountants

Islamabad

Date: June 04, 2021

THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

ASSETS

	Note	2020 ----- Rupees in '000-----	2019
Cash and balances with treasury banks	5	3,454,865	3,005,671
Balances with other banks	6	9,825,491	7,308,507
Lendings to financial institutions		-	-
Investments	7	185,845	178,401
Advances	8	2,246,653	2,036,826
Fixed assets	9	230,026	238,881
Intangible assets		-	-
Deferred tax assets	10	26,407	22,426
Other assets	11	850,127	775,623
		16,819,414	13,566,335

LIABILITIES

Bills payable	12	67,414	21,148
Borrowings		-	-
Deposits and other accounts	13	13,700,340	11,873,535
Lease liabilities against right of use assets	14	132,911	122,388
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	534,159	322,201
		14,434,824	12,339,272
		2,384,590	1,227,063

NET ASSETS

REPRESENTED BY

Share capital	16	2,129,911	1,027,192
Reserves		-	-
Deficit on revaluation of assets	17	(12,451)	(17,290)
Unappropriated profit		267,130	217,161
		2,384,590	1,227,063

CONTINGENCIES AND COMMITMENTS

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


President and CEO


Chief Financial Officer


Director


Director


Director

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

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

		Rupees	Restated
Basic and diluted earnings per share	26	<u>1.27</u>	<u>0.64</u>

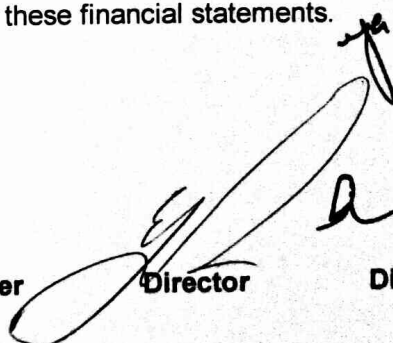
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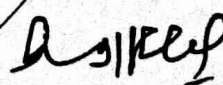
President and CEO



Chief Financial Officer



Director



Director




Director


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

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

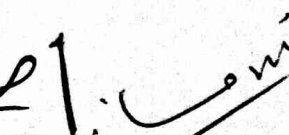
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President and CEO


Chief Financial Officer


Director


Director


Director

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

	2020 -----Rupees in '000-----	2019
Profit after taxation for the year	152,688	71,830
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus on revaluation of investments - net	7,445	2,531
Related deferred tax expense	(2,606)	(886)
	4,839	1,645
Total comprehensive income	157,527	73,475

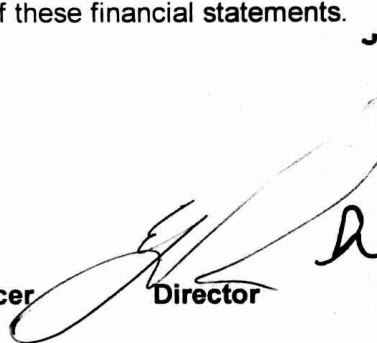
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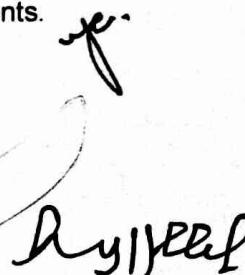
President and CEO



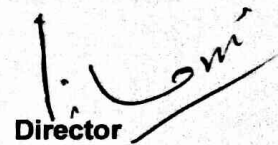
Chief Financial Officer



Director



Director



Director

**THE BANK OF AZAD JAMMU AND KASHMIR
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 2020 2019
-----Rupees in '000-----

CASH FLOW FROM OPERATING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

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

CASH FLOW FROM FINANCING ACTIVITIES

Issue of share capital	1,000,000	-
Principal paid against lease liability	(17,050)	(15,493)
Dividend paid	-	-
Net cash generated from / (used) in financing activities	<u>982,950</u>	<u>(15,493)</u>
Increase / (decrease) in cash and cash equivalents	8,888,021	(2,076,258)
Cash and cash equivalents at beginning of the year	1,845,301	3,921,559
Cash and cash equivalents at end of the year	<u>10,733,323</u>	<u>1,845,301</u>

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

President and CEO

Chief Financial Officer

Director

Director

Director

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 and Group Insurance - Government autonomous body own 100% percent of ordinary shares of the Bank as on December 31, 2020 in proportion of 94.7% and 5.3% (2019: 94% and 6%) respectively.

The Bank has 70 branches (2019: 70 branches) in Azad Jammu and Kashmir.

1.1 Impact of COVID-19

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

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

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

2 BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

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

State Bank of Pakistan vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 has directed banks in Pakistan to implement IFRS 9 with effect from 01 January 2021

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

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

2.4 Use of critical accounting estimates and judgments

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

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

3 BASIS OF MEASUREMENT

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Investments

4.2.1 Classification

Investments are classified as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

4.2.2 Regular way contracts

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

4.2.3 Initial measurement

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

4.2.4 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

4.2.5 Impairment

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

4.3 Advances

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

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

4.4 Fixed assets and depreciation

Capital work-in-progress

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

Tangible assets

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

Depreciation

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

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

4.5 Intangible assets

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

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

4.6.1 Right of-use assets

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

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

- 5.1 This represents deposit accounts carrying markup rates ranging from 6% to 8% (2019:11.25% to 11.40%) per annum.
- 5.2 This represents term deposits carrying markup rates ranging from 6.7% to 12.4% (2019: 12.25% to 13.9%) per annum having maturities within three months.

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

- 6.1 This include saving deposit accounts amounting Rs. 582,652 thousands (2019: Rs. 544,269 thousands) carrying markup rates ranging from 6% to 8% (2019: 11.25% to 11.40%) per annum.
- 6.2 This include term deposits carrying markup at rates ranging between 6.7% to 20% (2019: 7.6% to 20%) per annum. Term deposits have maturities ranging from 3 months to 5 years except a term deposit for an amount of Rs. 500 million placed with a bank maturing in 2029.

	2020				2019			
7 INVESTMENTS	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
7.1 Investments by type								
-----Rupees in '000-----								
Available-for-sale securities								
Units of open ended mutual funds - note 7.5	205,000	-	(19,155)	185,845	205,000	-	(26,599)	178,401
Held-to-maturity securities								
Term finance certificates - note 7.4	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total Investments	254,940	(49,940)	(19,155)	185,845	254,940	(49,940)	(26,599)	178,401

7.2 Investments by segments

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

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

Units of open ended mutual funds

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

Securities

Unlisted

Term finance certificates	49,940	(49,940)	-	-	49,940	(49,940)	-	-
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Total investments	254,940	(49,940)	(19,155)	185,845	254,940	(49,940)	(26,599)	178,401
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7.3 Particulars of held to maturity investment

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

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

2020 2019
-----Rupees in '000-----

7.4 Particulars of provision for diminution in value of investments

7.4.1 Opening balance

Charge for the year

Closing balance

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

7.4.2 Particulars of provision against debt securities

Category of classification

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

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

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

ADVANCES

Performing		Non performing		Total	
2020	2019	2020	2019	2020	2019
----- Rupees in '000 -----					
2,240,135	1,993,166	209,857	215,620	2,449,992	2,208,786
2,240,135	1,993,166	209,857	215,620	2,449,992	2,208,786
-	-	(147,620)	(130,093)	(147,620)	(130,093)
(55,719)	(41,867)	-	-	(55,719)	(41,867)
(55,719)	(41,867)	(147,620)	(130,093)	(203,339)	(171,960)
2,184,416	1,951,299	62,237	85,527	2,246,653	2,036,826

8.1 Particulars of advances (Gross)

In local currency

2020 2019
 --- Rupees in '000 ---
 2,449,992 2,208,786

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

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

8.3 Particulars of provision against advances

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

3.3.1 Particulars of provision against advances

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

9 FIXED ASSETS

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

9.1 Capital work-in-progress

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

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

9.2 Property and equipment

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

At January 1, 2020

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

Year ended December 2020

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

At December 31, 2020

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

2019						
Free hold land	Building on freehold land	Leasehold improvements	Furniture and fixture	Office equipment	Computers	Vehicles
Rupees '000						
						Right of use asset
						Total

At January 1, 2019

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

Year ended December 2019

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

At December 31, 2019

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

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

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

9.4 Detail of disposals of operating fixed assets

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

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

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

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

10 DEFERRED TAX ASSETS

Deductible temporary differences on

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

Taxable temporary differences on

- Accelerated tax depreciation

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

	2019			
	At January 1 2019	Recognised in P&L A/C	Recognised in OCI	At December 31 2019
	-----Rupees in 000-----			
Deductible temporary differences on				
- Deficit on revaluation of investments	10,196	-	(886)	9,310
- Accelerated tax depreciation	5,738	2,592	-	8,330
	15,934	2,592	(886)	17,640
-Provision against receivable from Kashmir Council	1,685	-	-	1,685
-Provision against customer claims	3,311	(210)	-	3,102
	20,930	2,382	(886)	22,426

	Note	2020 -----Rupees in '000-----	2019
11 OTHER ASSETS			
Income/ mark-up accrued in local currency - net of provision	11.1, 11.2	840,757	752,590
Advances, deposits, advance rent and other prepayments		3,206	1,254
Advance taxation		-	2,706
Branch adjustment account		-	11,180
Stationery and stamps in hand		3,526	1,926
Others		7,453	10,782
		854,942	780,438
Less: Provision held against other assets	11.3	(4,815)	(4,815)
Other assets (net of provision) - total		850,127	775,623
11.1	This includes an amount of Rs. Nil (2019: Rs. 1,520 thousand) on account of interest receivable from a related party.		
11.2	This balance has been arrived at after adjusting interest in suspense account of Rs. 106,721 thousand (2019: Rs. 80,200 thousand).		
11.3 Provision held against other assets	Note	2020 -----Rupees in '000-----	2019
Receivable from Kashmir Council	11.3.1	4,815	4,815
11.3.1 Movement in provision held against other assets			
Opening balance		4,815	4,815
Closing balance		4,815	4,815
12 BILLS PAYABLE			
In Pakistan		67,414	21,148

13 DEPOSITS AND OTHER ACCOUNTS

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

13.1 Composition of deposits

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

14 LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS

	2020	2019
	-----Rupees in '000 -----	
Lease liabilities included in the statement of financial position	132,911	122,388
of which are:		
current lease liability	17,969	11,734
Non current lease liability	114,942	110,654
	132,911	122,388

Maturity analysis - contractual undiscounted cashflows

Less than one year	33,572	26,224
One to five years	133,419	119,805
More than five years	21,000	39,268
Total undiscounted lease liabilities	187,991	185,297

15 OTHER LIABILITIES

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

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

16 SHARE CAPITAL

16.1 Authorized capital

2020	2019		2020	2019
Number of shares			----- Rupees in '000 -----	
<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>

16.2 Issued, subscribed and paid up share capital

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

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

16.4 The Government of Azad Jammu holds 94.7% (2019: 94%) of the ordinary shares and Banovalent Fund and Group Insurance holds 5.3% (2019: 6%) of the ordinary shares as at December 31, 2020.

16.5 Reconciliation of number of ordinary shares

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

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

17 DEFICIT ON REVALUATION OF ASSETS

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

18 CONTINGENCIES AND COMMITMENTS

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

	Note	2020 -----Rupees in 000-----	2019
18.1 Guarantees			
Financial guarantees	18.2	<u>49,622</u>	<u>36,076</u>
18.2	It includes guarantee amounting to Rs. 10.7 million expired during the year which was cancelled subsequent to the year end after completion of cancellation formalities.		
18.3 Commitments			
Loan sanctioned but not disbursed		33,319	20,389
Unavailed running finance		<u>45,861</u>	<u>315,856</u>
		<u>79,180</u>	<u>336,245</u>
18.4 Bills for collection			
	18.4.1	<u>14,601</u>	<u>9,564</u>
18.4.1	Bills for collection represent bills drawn in favour of various financial institutions on behalf of the Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.		
19 MARK-UP/ RETURN/ INTEREST EARNED	Note	2020 ----- Rupees in 000 -----	2019
On:			
a) Loans and advances	19.1	276,674	282,373
b) Balances with banks		<u>1,234,872</u>	<u>997,082</u>
		<u>1,511,546</u>	<u>1,279,455</u>
19.1	This includes an amount of Rs. 2,330 (2019: Rs.20,831 thousand) on account of interest earned on advance given to a related party (Government department).		
20 MARK-UP/ RETURN/ INTEREST EXPENSED	Note	2020 -----Rupees in '000-----	2019
On:			
Deposits	20.1	721,219	687,800
Lease liability		<u>16,034</u>	<u>14,919</u>
		<u>737,253</u>	<u>702,719</u>
20.1	This includes an amount of Rs. 205,873 thousand (2019: Rs. 139,411 thousand) on account of interest expense on related party deposits. (Government departments).		
21 FEE AND COMMISSION INCOME		2020 -----Rupees in '000-----	2019
Branch banking customer fees			
Commission on cheques books		2,176	1,771
Credit related fees		4,026	3,714
Commission on guarantees		5,540	4,456
Commission on remittances		831	659
Commission on utility bills		794	435
Postage		4,607	4,672
Others		506	417
		<u>188</u>	<u>110</u>
		<u>18,668</u>	<u>16,234</u>

		2020	2019
		-----Rupees in '000-----	
22 OTHER INCOME			
		1,030	22
Gain on sale of fixed assets		4,666	3,029
Site visits and fee collection charges		5,696	3,051
23 OPERATING EXPENSES			
	23.1	321,490	285,122
Total compensation expense			
Property expense			
Rent & taxes		385	523
Insurance		1,170	1,151
Utilities cost		17,895	17,952
Security (including guards)		29,911	23,853
Repair & maintenance (including janitorial charges)		8,907	6,112
Depreciation on right of use asset		29,049	30,265
Depreciation		7,952	8,337
		95,269	88,193
Information technology expenses			
Software maintenance		13,857	12,191
Hardware maintenance		2,031	1,595
Depreciation		5,797	6,501
Network charges		6,185	5,288
		27,870	25,575
Other operating expenses			
Directors' fees and allowances		3,858	2,172
Legal & professional charges		399	1,358
Travelling & conveyance		6,078	8,059
Depreciation		10,022	11,135
Entertainment		9,005	8,344
Training & development		342	1,905
Postage & courier charges		3,522	3,163
Communication		3,579	3,865
Stationery & printing		11,198	7,807
Marketing, advertisement & publicity		1,324	735
Auditors remuneration	23.2	2,178	2,178
Others		23,252	20,450
		74,757	71,171
		519,386	470,061

2020 2019
-----Rupees in '000-----

23.1 Total compensation expense

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

	Note	2020 -----Rupees in '000-----	2019
23.2 Auditors' remuneration			
Audit fee		1,980	1,980
Out-of-pocket expenses		198	198
		<u>2,178</u>	<u>2,178</u>
24 PROVISIONS AND WRITE OFFS - NET			
Charge of provisions against loans & advances - net	8.3	31,379	11,665
Insurance claims received		-	(3,000)
		<u>31,379</u>	<u>8,665</u>
25 TAXATION			
Current		111,725	55,954
Deferred		(6,587)	(2,382)
		<u>105,138</u>	<u>53,572</u>
25.1 Relationship between tax expense and accounting profit			
	%	2020 Rupees in '000'	% 2019 Rupees in '000'
Profit before taxation		257,826	125,401
Applicable tax rate / expense	35%	90,239	35% 43,890.42
Super tax	4%	11,459	4.6% 5,739
Expense not allowed	0.0%	-	3.1% 3,943
Actual tax rate / expense	39%	101,698	43% 53,572
Total tax charge as per financial statements		<u>105,138</u>	<u>53,572</u>
26 BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>152,688</u>	<u>71,830</u>
		2020	2019 Restated
Weighted average number of ordinary shares (Number)		<u>119,840,502</u>	<u>112,991,187</u>
Basic and diluted earnings per share (Rupees)		<u>1.27</u>	<u>0.64</u>

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

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

29 STAFF RETIREMENT BENEFITS

29.1 Gratuity

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

29.2 Provident fund

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

30 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

30.1 Total compensation expense

	2020			
	Directors		President	Key management personnel
Item	Chairman	Non-Executives		

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

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

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

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

2020						
Meeting fees and allowances paid						
Name of director	For board meetings	For board committees				Total amount paid
		Board executive committee	Board audit committee	Board IT committee	Special committee	
----- Rupees in '000' -----						
1 Dr. Shahzad Khan Bangash	75	-	-	-	-	75
2 Mather Niaz Rana	125	-	-	-	-	125
3 Asmatullah Shah	200	200	175	25	75	675
4 Ejaz Hussain Rathore	200	-	175	50	150	575
5 Naveed Sadiq	200	-	-	-	-	200
6 Raja Mumtaz Ali	200	50	175	-	75	500
7 Mr.Fayyaz Ali Abbasi	200	-	175	-	-	375
8 Muhammed Ahsan	175	175	-	75	-	425
9 Syed Zahoor Gillani	200	-	-	50	-	250
Total amount paid	1,575	425	700	200	300	3,200

2019						
Name of director	Meeting fees and allowances paid					
	For board meetings	For board committees				Total amount paid
		Board executive committee	Board audit committee	Board IT committee	Special committee	
----- Rupees in '000' -----						
1 Mather Niaz Rana	175	-	-	-	-	175
2 Abid Awan	125	25	-	75	-	225
3 Fayaz Ali Abbasi	175	-	100	-	-	275
4 Ejaz Hussain Rathore	175	-	100	75	-	350
5 Syed Zahoor ul Hussain	25	-	-	-	-	25
6 Dr Shehla Waqar	50	-	-	50	-	100
7 Fareed Ahmed Tarar	200	50	100	-	-	350
8 Raja Mumtaz Ali	100	-	75	-	-	175
9 Naveed Sadiq	175	-	-	-	-	175
10 Muhammed Ahsan	25	25	-	-	-	50
Total amount paid	1 225	100	375	200		1 900

31 FAIR VALUE MEASUREMENTS

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

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

31.1 Fair value of financial assets

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

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

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

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

32 SEGMENT INFORMATION

32.1 Segment details with respect to Business Activities

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

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

Statement of financial position

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

Profit and loss

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

Statement of financial position

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

33 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

34 RELATED PARTY TRANSACTIONS

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

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

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

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

CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2020 2019
-----Rupees in '000-----

Minimum capital requirement (MCR)

Paid-up capital (net of losses)

10,000,00010,000,000**Capital adequacy ratio (CAR)**

Eligible common equity tier 1 (CET 1) capital

2,397,041

1,244,352

Eligible additional tier 1 (ADT 1) capital

-

-

Total regulatory adjustment applied to CET1

(12,451)

(17,289)

Total eligible Tier 1 capital

2,384,590

1,227,063

Eligible tier 2 capital

55,719

41,867

Total eligible capital (Tier 1 + Tier 2)

2,440,309

1,268,930

Risk weighted assets (RWAs):

Credit risk

6,234,069

4,930,823

Market risk

371,690

356,802

Operational risk

1,227,059

1,062,033

Total

7,832,818

6,349,658

Common equity tier 1 capital adequacy ratio

30.60%

19.60%

Tier 1 capital adequacy ratio

30.44%

19.32%

Total capital adequacy ratio

31.15%

19.98%

Leverage ratio (LR)

Eligible tier-1 capital

2,384,590

1,227,063

Total exposures

16,962,817

13,948,220

Leverage ratio

14%

9%

Liquidity coverage ratio (LCR)

Total high quality liquid assets

13,280,356

10,314,178

Total net cash outflow

3,948,564

2,950,470

Liquidity coverage ratio

336%

350%

Net stable funding ratio (NSFR)

Total available stable funding

9,819,306

10,658,463

Total required stable funding

7,749,991

6,585,866

Net stable funding ratio

127%

162%

36 RISK MANAGEMENT

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

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

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

36.1 Credit Risk

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

36.1.1 Investment in debt securities

Credit risk by industry sector

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

Credit risk by public / private sector

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

36.1.2 Advances

Credit risk by industry sector

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

Credit risk by public / private sector

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

36.1.3 Contingencies and Commitments

Credit risk by industry sector

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

Credit risk by public / private sector

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

36.1.4 Concentration of Advances

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

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

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

Total funded classified therein

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

36.1.5 Advances - Province/Region-wise Disbursement & Utilization

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

36.2 Market Risk

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

36.2.1 Balance sheet split by trading and banking books

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

36.2.2 Foreign exchange risk

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

36.2.3 Equity position Risk

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

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

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

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

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

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

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

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

36.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

Effective Yield/ Interest rate	Total	2020										Non-interest bearing financial instruments	
		Exposed to Yield/ Interest risk											
		Rupees in '000											
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	9.55%	3,454,865	2,041,987	1,250,000	-	-	-	-	-	-	-	-	162,878
Balances with other banks	9.55%	9,825,491	2,124,815	5,062,499	1,401,461	254,428	-	-	300,000	500,000	-	-	182,289
Investments	5.35%	185,845	-	-	-	-	-	-	-	-	-	-	185,845
Advances	12.31%	2,246,653	433,039	45,814	77,079	222,096	174,757	207,089	1,075,032	11,747	-	-	-
Other assets		846,921	-	-	-	-	-	-	-	-	-	-	846,921
		16,559,775	4,599,841	6,358,313	1,478,540	476,524	174,757	207,089	1,375,032	511,747	-	-	1,377,933
Liabilities													
Bills payable		67,414	-	-	-	-	-	-	-	-	-	-	67,414
Deposits and other accounts liability against right of use asset	5.26%	13,700,340	2,117,922	2,244,616	2,452,816	3,895,886	42,720	53,858	211,226	-	-	-	2,681,296
Other liabilities		132,911	1,515	1,542	4,712	9,783	19,034	19,546	29,930	46,849	-	-	-
		534,159	-	-	-	-	-	-	-	-	-	-	534,159
		14,434,824	2,119,437	2,246,158	2,457,528	3,905,669	61,754	73,404	241,156	46,849	-	-	3,282,869
On-balance sheet gap		2,124,951	2,480,404	4,112,155	(978,988)	(3,429,145)	113,003	133,685	1,133,876	464,898	-	-	(1,904,936)
Off-balance sheet financial instruments													
Commitments to extend credit		79,180	79,180	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		79,180	79,180	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			2,401,224	4,112,155	(978,988)	(3,429,145)	113,003	133,685	1,133,876	464,898	-	-	(1,904,936)
Cumulative Yield/Interest Risk Sensitivity Gap			2,401,224	6,513,379	5,534,390	2,105,245	2,218,248	2,351,933	3,485,809	3,950,707	3,950,707	-	(1,904,936)

2019

Effective Yield/Interest rate	Total	Exposed to Yield/Interest risk							Non-interest bearing financial instruments	
		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		Above 10 Years
Rupees in '000										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	9.10%	3,005,671	124,812	-	250,000	2,510,000	-	-	-	120,859
Balances with other banks	10.26%	7,308,507	741,454	792,785	1,666,090	2,828,118	350,000	-	500,000	130,061
Investments	4.61%	178,401	-	-	-	-	-	-	-	178,401
Advances	13.0%	2,036,826	448,509	52,272	105,911	255,042	183,925	287,308	689,878	-
Other assets		774,369	-	-	-	-	-	-	-	774,369
		13,303,774	1,314,775	845,057	2,022,001	5,593,160	533,925	287,308	989,878	513,981
Liabilities										
Bills payable		21,148	-	-	-	-	-	-	-	21,148
Deposits and other accounts liability against right of use asset	6.25%	11,873,535	1,511,174	2,606,039	3,291,638	1,577,765	79,669	84,200	41,254	2,681,296
Other liabilities		122,388	-	-	-	-	-	-	122,388	-
		322,201	-	-	-	-	-	-	-	322,201
		12,339,272	1,511,174	2,606,039	3,291,638	1,577,765	79,669	84,200	163,642	3,024,645
		964,501	(196,399)	(1,760,982)	(1,269,637)	4,015,395	454,256	203,108	826,236	513,481
On-balance sheet gap										
										(1,820,956)

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

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

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

36.3 Operational Risk

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

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

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

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.

[illegible]

Assets												
Cash and balances with treasury banks	3,454,865	71,124	497,873	497,873	1,137,995	625,000	625,000	-	-	-	-	-
Balances with other banks	9,825,491	70,012	490,088	490,086	1,120,200	2,554,036	2,554,036	1,447,033	150,000	150,000	-	300,000
Investments	185,845	-	-	-	-	-	-	-	92,923	92,923	-	-
Advances	2,246,853	13,969	97,783	97,783	223,504	22,907	22,907	77,079	111,048	111,048	174,757	1,075,032
Fixed assets	230,026	3,885	27,197	27,197	62,164	4,869	4,869	3,272	2,453	2,454	9,815	19,027
Deferred tax assets	26,407	446	3,122	3,122	7,137	559	557	376	282	282	1,127	2,184
Other assets	850,127	3,826	26,789	26,789	61,233	51,367	51,367	90,760	1,017	1,017	-	412,400
	16,819,414	163,262	1,142,852	1,142,850	2,612,233	3,258,738	3,258,736	1,618,520	357,722	357,724	185,699	218,031
												1,808,643
												694,404

Liabilities												
Bills payable	67,414	-	-	-	-	33,707	33,707	-	-	-	-	-
Deposits and other accounts	13,700,340	89,943	629,604	629,604	1,439,095	1,457,470	1,457,470	3,123,140	2,283,105	2,283,105	42,720	53,858
Liability against right of use asset	132,911	49	342	342	782	771	771	4,712	4,892	4,892	19,034	19,546
Other liabilities	534,159	7,111	49,777	49,777	113,775	35,022	35,022	67,462	52,479	52,479	5,655	5,299
	14,434,824	97,103	679,723	679,723	1,553,652	1,526,970	1,526,970	3,195,314	2,340,476	2,340,476	67,409	78,703
												250,643
												97,663
												596,741
												1,558,000
												97,663
												596,741

Net assets	
	2,384,590

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

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

Share capital 1,027,192

Reserves -

Unappropriated profit 217,161

Deficit on revaluation of assets (17,289)

1,227,063

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

2020										
Assets	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Cash and balances with treasury banks	3,454,865	2,204,865	1,250,000	-	-	-	-	-	-	-
Balances with other banks	9,825,491	2,170,387	5,108,071	1,447,033	300,000	-	-	300,000	500,000	-
Investments	185,845	-	-	-	185,845	-	-	-	-	-
Advances	2,246,553	433,039	45,814	77,079	222,096	174,757	207,089	1,075,032	11,747	-
Fixed assets	230,026	120,443	9,737	3,272	4,908	9,815	9,815	19,027	12,609	40,400
Deferred tax assets	26,407	13,827	1,117	376	563	1,127	1,127	2,184	1,448	4,638
Other assets	850,127	118,639	102,733	90,760	2,033	-	-	412,400	123,562	-
	16,819,414	5,061,200	6,517,472	1,618,520	715,445	185,699	218,031	1,808,643	649,366	45,038
Liabilities										
Bills payable	67,414	-	67,414	-	-	-	-	-	-	-
Deposits and other accounts	13,700,340	2,788,246	2,914,940	3,123,140	4,566,210	42,720	53,858	211,226	-	-
Lease liability against right of use asset	132,911	1,515	1,542	4,712	9,783	19,034	19,546	29,930	46,849	-
Other liabilities	534,159	220,440	70,043	67,462	104,957	5,655	5,299	9,489	-	50,814
	14,434,824	3,010,201	3,053,939	3,195,314	4,680,950	67,409	78,703	250,645	46,849	50,814
Net assets	2,384,590	2,050,999	3,463,533	(1,576,794)	(3,965,505)	118,290	139,328	1,557,998	602,517	(5,776)

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

2019										
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Rupees in '000					
					Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets										
Cash and balances with treasury banks	3,005,671	245,671	-	250,000	2,510,000	-	-	-	-	-
Balances with other banks	7,308,507	773,969	825,300	1,698,605	2,860,633	350,000	-	300,000	500,000	-
Investments	178,401	-	-	-	178,401	-	-	-	-	-
Advances	2,036,826	448,509	52,272	105,911	255,042	183,925	287,308	689,878	13,981	-
Fixed assets	238,881	1,030	2,060	5,052	8,240	16,481	20,601	132,063	12,954	40,400
Deferred tax assets	22,426	-	-	-	22,426	-	-	-	-	-
Other assets	775,623	204,394	43,175	79,286	195,597	2,038	-	227,845	23,288	-
	13,566,335	1,673,573	922,807	2,138,854	6,030,339	552,444	307,909	1,349,786	550,223	40,400
Liabilities										
Bills payable	21,148	-	21,148	-	-	-	-	-	-	-
Deposits and other accounts	11,873,535	2,181,498	3,276,363	3,961,962	2,248,089	79,669	84,200	41,254	500	-
Lease liability against right of use asset	122,388	-	-	-	-	-	-	122,388	-	-
Other liabilities	322,201	201,181	44,448	15,517	20,254	-	-	-	-	40,800
	12,339,272	2,382,679	3,341,959	3,977,479	2,268,343	79,669	84,200	163,642	500	40,800
Net assets	1,227,063	(709,106)	(2,419,152)	(1,838,625)	3,761,996	472,775	223,709	1,186,144	549,723	(400)
Share capital										
Reserves	1,027,192	-	-	-	-	-	-	-	-	-
Unappropriated profit	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	217,161	-	-	-	-	-	-	-	-	-
	(17,290)	-	-	-	-	-	-	-	-	-
	1,227,063	-	-	-	-	-	-	-	-	-

37 EVENTS AFTER THE REPORTING DATE

- 37.1 The Board of Directors in its meeting held on ----- have announced a bonus issue/cash dividend of _____ percent (2019: bonus issue at the rate of 10%). The appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2020 do not include the effect of the appropriation which will be accounted for in the financial statements for the year ending December 31, 2021.

38 CORRESPONDING FIGURES


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


39 GENERAL

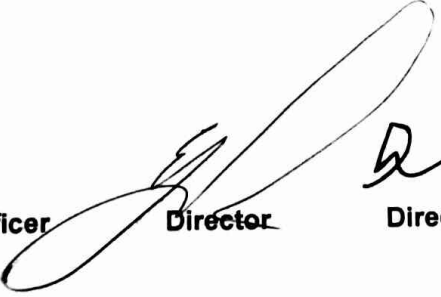
Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.


40 DATE OF AUTHORIZATION

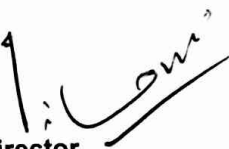
These financial statements were authorized for issue by the Board of Directors of the Bank on -----.


President and CEO


Chief Financial Officer


Director


Director


Director

