

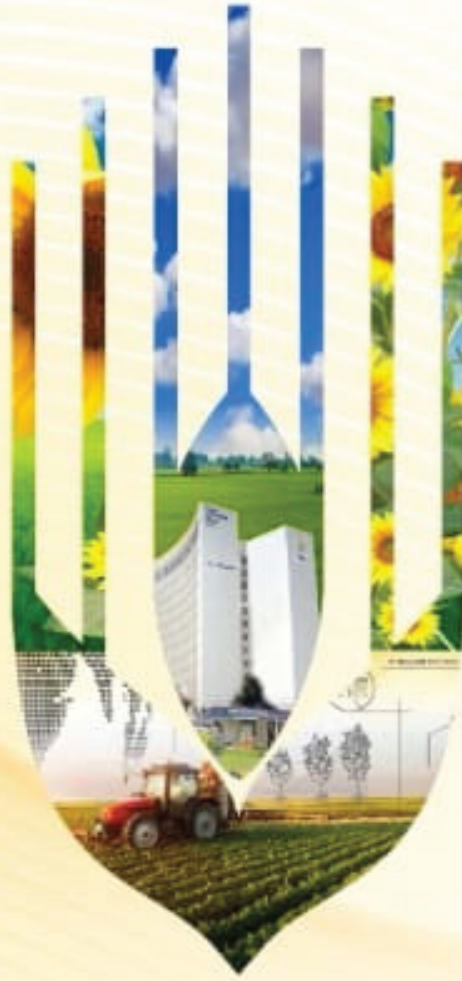


ZTBL

A year of stories enriched with success



2022



زرعی ترقیاتی بینک لمیٹڈ
Zarai Taraqati Bank Limited

ANNUAL REPORT

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CORPORATE VISION

Dedicated to serve the needs of the farming community, by delivering financial products and technical services on a competitive and sustainable basis, in a convenient, efficient and professional manner, leading to success of the Bank and the farmers.



CORPORATE MISSION

To play effective role in the promotion of economic growth, by enhancing the availability of credit to the agriculture sector, through reliable access to sustainable financing, special lending programs, technical assistance, and other products & services, and to promote career development opportunities for increasing professionalism and technical proficiencies of employees.

CORPORATE OBJECTIVES

- Develop and operate as a financially and operationally sustainable R.F.I of the country.
- Assist rural community, particularly the small farmers, in raising their productivity and income levels through timely delivery of credit, advisory and ancillary services.
- Build ZTBL's image as a proactive, client friendly, financially & operationally sustainable with indigenous product deployment.
- Establish and provide backward and forward linkages to strengthen agri. value added commodity chains.
- Engage in public - private and wholesale - retail partnership to deepen outreach and reduce operating cost.
- To function as a rural commercial bank to mobilize rural capital formation and to commercialize the agri. sector by delivering the true value of credit to the client. Provide a wide range of risk insurance products to its clients.
- Open up it venues of operation to Domestic & International Banking Industry to avail comparative advantages.



Asad Ullah Habib

President/CEO ZTBL (Acting)

BOARD MEMBERS



Mr. Zaigham Mahmood Rizvi
Director



Mr. Asad Ullah Habib
President (A) / CEO / Director



Syed Javed
Director



Mr. Zafar Hasan
Director



**Mr. Muhammad
Aslam Ghauri**
Director



Mr. Haaris Mahmood Chaudhary
Director



Mr. Tariq Mahmood Talib
Company Secretary

TOP MANAGEMENT



Mr. Qasim Mehmood Chishty
Group Head (Business) /SEVP



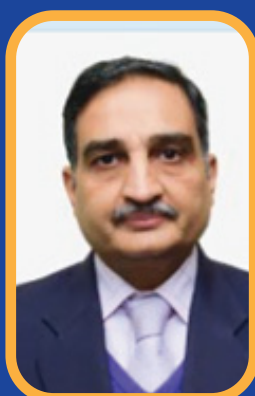
Mr. Muhammad Arif
Group Head / SEVP /
Chief Financial Officer



Mr. Zahid Hussain
Group Head (Operations)
/ SEVP



Mr. Saeed Ahmad
Acting Group Head Strategy
& Services



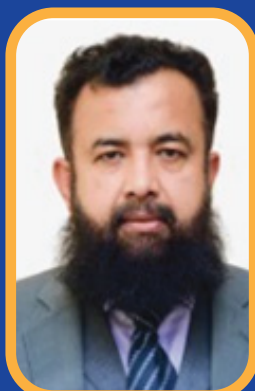
Mr. Salman Arshad
Head Enterprise Risk
Management Division



Mr. Arshad Hassn Awan
Head Credit Division



Mr. Anjum Abbas
Chief Compliance Officer
/Head Compliance & ICFRD



Mr. Waqas Ahmed
Chief Internal Auditor /
Head Internal
Audit & Inspection Division



Mr. Mustansar Billah
Head Recovery &
SAM Division

TOP MANAGEMENT



Mr. Mehboob Ur Rehman
Head HR Division



Ms. Sabahat Batool
Head Liability
Management & Marketing
Division



Mr. Zeeshan Mazhar
Digital Banking &
Information System Division



Mr. Tariq Mahmood
Head Planning Research
& Technology Division



Mr Amir Islam
Head Islamic Banking
Division



Mr. Shoukat Mehboob
Head Training &
Development Division



Mr. Zubair Qayyum
Head Services Division



Mr. Hassan Raza
Divisional (A)
Head Legal Services & Affairs
Division



Shah Miftahul Azim
Head Treasury Front
Office Division

DIRECTORS' REPORT



Performance review for the Year 2022:

I am pleased to present annual director's report of Zarai Taraqiati Bank Limited, outlining our financial performance and highlighting key achievement during the year 2022. ZTBL have grown to become trusted and respected institution in the community. With a team of dedicated and professional staff, we are committed to providing high-quality banking services and products that meet the diverse needs of our customers. It has been another successful year for ZTBL with strong financial performance and progress on a number of key initiatives. I would like to take this opportunity to highlight some of the major achievements as well as overview of the key initiatives and activities that have contributed to our success during financial year 2022. ZTBL has earned substantial profit before tax, despite challenging conditions and has posted profit before tax Rs. 7,458 million and after tax Rs. 5,123 million depicting a promising situation for future. This is due to multiple factors, one of which is the implementation of a multi-channel strategy for debt recovery which has proven to be quite effective during current financial year. During the financial year 2022, ZTBL recovered Rs. 79,750 million out of total recoverable amount Rs. 96,731 million, resulting in a recovery rate 82% of total recoverable amount. The Bank disbursed Rs. 69,631 million during the same financial year.

One of the standout areas is SAM recovery that has been recorded Rs. 7,469 million in financial year 2022 as compared to Rs. 6,361 million last year with rise of 17%. Despite the political & economic uncertainty, we are continuing serving our valuable customers and Bank has remained resilient during these challenges. ZTBL made significant investments in technology and digital capabilities to facilitate our customers in more effective manner while staying competitive in the market.

Various digital and automation improvements have been made for accepting cheque book application through system, deposit certificate for Islamic banking and locker management module that has been implemented through CDMS in order to automate the process and for better locker management. This functionality will help in locker allocation as well as recovery of associated charges in more efficient manner. Additionally, NIFT IBCS phase 2 has been implemented for clearing Hub Branch Local instruments. The IBFT-Module, Islamic window in conventional branches, and Islamic banking integration with CBAS has also been put in place to facilitate sharia compliance. An Operational Risk Management System has been developed and deployed, including tools such as Risk Control & Self-Assessment and Key Risk indicators to manage operational risk across the Bank and help the stakeholders to understand and address risk effectively.

The managed network infrastructure has been expanded to over 450 sites and a Network Operations Center has been established to monitor IT-network equipment and services. New facial attendance devices have been installed in the head office while for branches delivery has been completed with installation completed in 46 sites. SBP has initiated an integrated online digital payment system namely "RAAST- Pakistan's Instant Payment". Bank has successfully completed the Phase-1 for Raast i.e. Micro Payment Gateway. HaloITSM, an integrated helpdesk solution, has been implemented to provide smooth and efficient services to internal customers. All callers' complaints are now logged centrally with escalation process in line with the advanced enterprise standards in this field.

A CRM solution, extensively tested and widely implemented in banking industry, has been procured and deployment is in progress. This will bring the Bank at par with 14 other major banks that have the same solution in place. Data scrubbing services have been acquired for the Bank's portfolio of borrowers, depositors and employees. The data includes not only customers with loan from the Bank, but also those with multiple loans from other major lending institutions and microfinance sectors of Pakistan. ZTBL is a leader in utilizing liveliness detection for digital onboarding in the industry. Additionally, it has established its own advanced network operation center (NOC) to monitor and facilitate digital transactions. The Bank has also adopted a best-in-class CRM for complaint management to better serve its digital customers. Furthermore, ITIL-complaint IT-service management software for complaint management has been implemented for internal customers.

ZTBL has revised Green Banking policy in accordance with the Green Banking guidelines of State Bank of Pakistan as approved by BOD. In support of the Government's one billion tree plantation campaign; the Green Banking unit of ZTBL took initiative to plant 137,199 trees through ZTBL farms, Zones and its Branches in various locations across the country. Memorandum of Understanding (MoU) has been signed with PMAS ARID Agriculture University Rawalpindi and University of Agriculture Faisalabad during the year 2022. As part of MoU collaboration, Training workshops on Value addition of fruits & Vegetables and Mushroom Farming has also been conducted in collaboration with PMAS Arid Agriculture University, Rawalpindi. Kiwi Orchard has also been established in collaboration with PMAS Arid Agriculture University, Rawalpindi as adoptability trial in Islamabad.

Additionally, ZTBL has organized 17 training sessions to develop the capacity of its employees, both at Head Office and field offices, and has provided training to 800 employees at Head Office and field functionaries.

During the year 2022, deposits base increased to Rs. 47,333 million which is 9% higher than previous year and as a part of continuous effort to improve our customer's base, Bank has opened 19,164 New to Bank CASA accounts (NTBs) with fresh deposit of Rs. 1,140 million. During the year, the Treasury efficiently performed its core function of liquidity management and in doing so significantly contributed to the profitability of the Bank. As per the investment strategy, treasury kept low investment portfolio duration by mainly investing in short maturity and floating rate instruments, and thus minimizing portfolio sensitivity to interest rate changes to a minimum. Going forward, there is fear of high inflation getting entrenched and as a result high interest rates regime to continue longer than previously anticipated. Keeping that in view, Treasury will keep low portfolio duration till clear indications of lower inflation and reversal of interest rates emerge.

National Financial Literacy Program (NFLP) is an initiative by SBP to create awareness of basic financial education for the general public. Objective of the program is to financially literate the masses all across the country. For this purpose, State Bank of Pakistan allocates district-wise target to Banks/DFIs. Accordingly, SBP had allocated targets to ZTBL for the FY-2021-22 (July-2021 to June-2022) to conduct/arrange 437 classroom sessions on NFLP in different areas of the country. In the year FY-2021-22 ZTBL has successfully arranged/managed 452 NFLP sessions against target 437 set by SBP.

In order to optimize the use of available personnel to improve the Bank's operations, as per the management's vision, material development & shift in Bank's policies that include rates for various grants increased from Employee Trust Fund, including marriage grant for children, death grant for dependent family members, cash award to children of serving/deceased employees securing top 3 positions in matric, board & university exams. Additionally, due to the significant financial challenges being faced, cost-saving measures have been taken to lower the budget deficit. As a result, all purchases of vehicles, overseas medical treatment on Bank's expense, office furniture and equipment, overseas official trips, and official meals and events have been prohibited. In order to provide monetary relief in high inflationary era, Board of Directors has approved Cost of Living Allowance (COLA) @ 25% and 20% of basic pay to staff members and officers/ executives under SSR, 1961 and 10% of monetized salary for employees governed under SR-2005 effective from 1st January 2023 with minimum amount of COLA to be paid at Rs. 7,000/- per month for all employees.

During 2022, a restructuring and re-organization of different offices, departments, and units were carried out to bring operational efficiency while eliminating duplicacy of work and curtailing operational expenses. Additionally, to reduce the gender gap in financial inclusion, a Woman's Financial Services Unit under the Operations Division was established. To promote the rights of working women and ensure a safe and healthy work environment in the Bank, all controlling officers were advised to celebrate December 22, 2022 as the National Day for Rights of Working Women while arranging online or in-person events as an acknowledgement of women's participation in the Bank's business, as well as highlighting issues and challenges that hinder the progress of female employees. Furthermore, to facilitate the business owner departments involving multiplicity of functions, different Management Committees of the Bank were reviewed in line with SBP guidelines as well as business requirement of the Bank. Also, Key Performance Indicators (KPIs) of various field functionaries of the Bank were reviewed and published.

During the current financial year, the Performance Management Department (PMD) took various initiatives to effectively improve the working capacity of human resources across the board. These initiatives include reviewing and updating Key Performance Indicators (KPIs) for Field functionaries such as Zonal Chiefs, Branch Managers,

and MCOs, monitoring the performance of Zonal Chiefs, Branch Managers, and MCOs who have not achieved 50% of the total recovery targets (Regular NPL & SAM Loans), and issuing performance alerts for improvement to comply with the directions of the management. Additionally, PMD launched the first-ever "ONLINE" ERP-EBS Performance Evaluation of Executives, Officers, and Clerical Staff across ZTBL for the year 2022.

ZTBL has implemented a variety of initiatives to provide sustainable financial services to small farmers and low-income households in rural areas, including the introduction of new schemes and the development of innovative products. These schemes include financing products on horticulture – production of flowers (potted & ornamental flowers), financing products for packing and small godowns facility to the farmers, gold/misri chicken poultry farming (egg & meat production), black Australorp chicken farming (egg & meat production), biofloc fish farming. Moreover, efforts have been made to streamline the lending process, including the validation of e-stamp paper and the implementation of a digital land record system. Furthermore, financing products for agri-machinery also introduced i.e. rice/wheat straw baling machine, mini rotavator (walking tractor) & rice transplanter. In order to cater the genuine financing requirements of farming community, Bank has revised the maximum per CNIC/per borrower/party credit limit has been revised from the existing limit of Rs. 1.500 million to Rs. 5.000 million.

Prior to the floods, Pakistan was already facing a severe economic crisis; it was struggling with maintaining a healthy balance of payments and an ever-increasing current account deficit. The country was barely recovering from the aftershocks of the pandemic and the impact of global supply chain disruptions. Economic losses in agriculture are much beyond the estimated direct losses to crop production and livestock. The country is now facing an unprecedented food security crisis. Flood catastrophe has substantial impact on agricultural sector's growth directly affecting the Bank's core business. The capacity of ZTBL borrowers to repay their obligations would come under added strain as aftermath and cannot be unexpected may result in increase in NPLs.

Economy Review:

The deficit in current account decreased by approximately 60% to reach US\$3.7 billion in the first half of the fiscal year 2023 (July-Dec 2022). This substantial reduction was due to a sharp contraction in imports, reflecting the impact of policy tightening and administrative measures. The contraction in import was broad-based, with all major groups, except food and petroleum groups, recording declines. National CPI inflation remained at elevated levels despite some moderation in recent months. Compared to 26.6 percent in October, the headline inflation slightly eased to 23.8 percent in November and 24.5 percent in December 2022. Increase in food inflation remains the major contributor to this persistence in inflation. The core inflation also rose due to increasing core good prices, especially durable. Downward adjustment in fuel prices and reduction in fuel cost charges slightly muted the energy inflation in recent months.

Agriculture sector review:

For Rabi season 2022-23, wheat crop has been sown on an area of 20.77 million acres. The input situation is expected to remain favourable due to incentives announced in Kissan Package 2022 that will boost agriculture productivity. The better input situation is expected to increase crops production in Rabi season. Standing water due to recent floods may create problem in achieving the assigned wheat sowing target, however, the Federal & Provincial Governments are working hard and committed to enhance wheat productivity. In addition to timely increase in minimum support price, the Government of Pakistan has taken measures/initiatives like awareness campaigns, extension services, subsidized and quality provision of inputs (seed and fertilizers) etc. with focus to enhance wheat productivity.

Banking sector review:

Banking sector's balance sheet expanded by 16.0 percent during the first half of 2022 (and 23.7 percent on YoY basis) Investments and public-sector commodity finance mainly drove-up assets' expansion, while private sector advances also grew with a decent pace as economic conditions augmented the demand for advances. Besides noteworthy mobilization of deposits, Banks raised substantial level of borrowings to finance expansion in balance sheet. However baseline profitability indicators moderated despite strong growth in incomes mainly due to the



impact of sharp increase in tax charges. On the back of challenging macro-economic conditions (such as rising current account deficit and inflation) and political developments, domestic financial markets, specifically FX and equity markets, witnessed increased volatility during H1CY22. Further, amid rising policy rate, the inter Bank overnight repo rate (ONR) also exhibited higher volatility in H1CY22.

ZTBL Islamic Banking performance:

In an effort to expand the branch network in the year 2022, ZTBL approved a policy for opening Islamic Banking Windows. This policy will enable the expansion of IB Windows in different conventional branches under the Hub & Spoke model, allowing for a more comprehensive reach to customers. Additionally, the Bank has implemented the development of online connectivity between Islamic and Conventional branches, which will allow for seamless integration of Islamic Banking into the overall Banking network of around 500 branches of ZTBL. This integration will provide customers with increased access to a wider range of Banking services and products. In order to enhance the financial inclusion of agriculture community especially females, low and middle income people etc. Shariah Compliant investment product Zarai Amadani Certificate has been launched to provide investment opportunity for a period of 3 to 5 years at competitive rates of profit. One of the salient features of this product is that Customers will have different options of profit payment either monthly, quarterly or profit payment at maturity.

On the financing side, Islamic Tractor Financing is launched. The facility will provide customers the financing support for the period of ten years (maximum) with six monthly repayment options. The product has been launched under the Islamic Tractor/Farm Transport Machinery Musharakah Financing Product on the principles of Diminishing Musharakah. The transaction starts with the formation of a partnership, between the Bank and the Customer, which enables customer to purchase an asset jointly with the Bank. Furthermore, customer will purchase the bank share (units) gradually and on the outstanding share of the bank, customer will pay the rent as per agreed terms.

Six Years at a Glance:

Particulars	(Rupees in millions)					
	2017	2018	2019	2020	2021	2022
Total Assets	256,341	202,476	199,899	210,686	254,808	491,092
Advances – net	140,878	135,653	109,688	102,656	91,822	90,452
Cash and Bank Balance	23,054	10,695	32,557	22,107	31,842	15,196
Operating Fixed Assets	2,180	2,356	2,752	2,813	2,514	2,474
Share Capital	52,678	52,678	52,678	52,678	52,678	52,678
Deposits	70,548	40,406	46,002	49,186	43,599	47,333
Profit/ (Loss) before Taxation	(6,149)	(3,364)	(26,349)	(3,225)	1,783	7,458
Taxation	262	(2,696)	(8,755)	(757)	3,518	2,335
Profit/ (Loss) after Taxation	(6,411)	(667)	(17,594)	(2,467)	(1,735)	5,123
Un-appropriated Profit / (Loss) brought forward	21,035	13,953	12,661	(3,437)	(3,969)	(6,037)
Profit / (Loss) available for Appropriation	14,623	13,286	(4,933)	(5,904)	(5,704)	(914)
Other comprehensive Income / (Loss)	(670)	(624)	1,496	1,935	(333)	735

Transferred to Statutory Reserve (20% of after tax profit)	-	-	-	-	-	(1,025)
Un-appropriated Profit / (Loss) Carried forward	13,953	12,661	(3,437)	(3,969)	(6,037)	(1,204)
Earnings Per Share	(1.40)	(0.13)	(3.34)	(0.47)	(0.33)	0.97

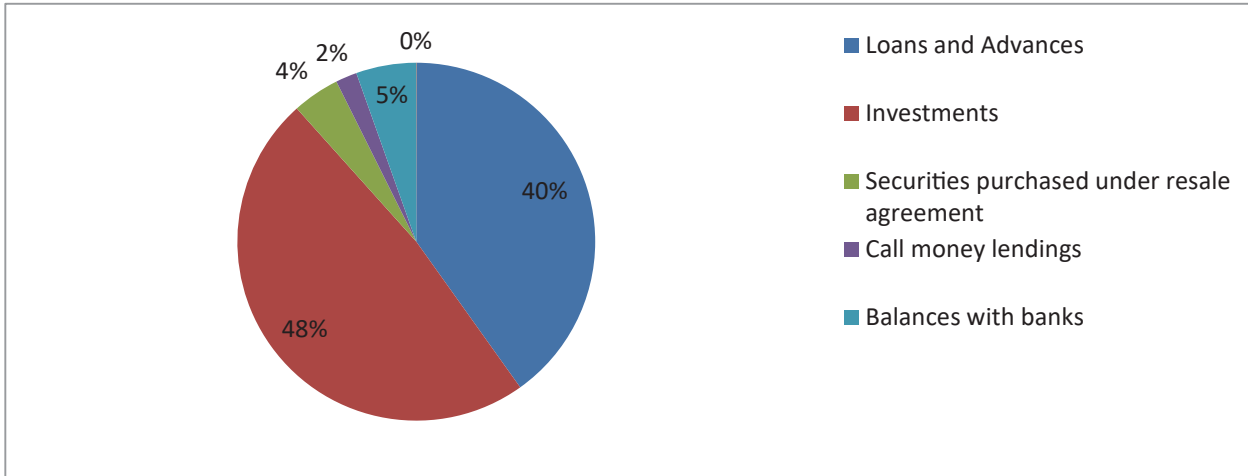
ZTBL's Financial Health:

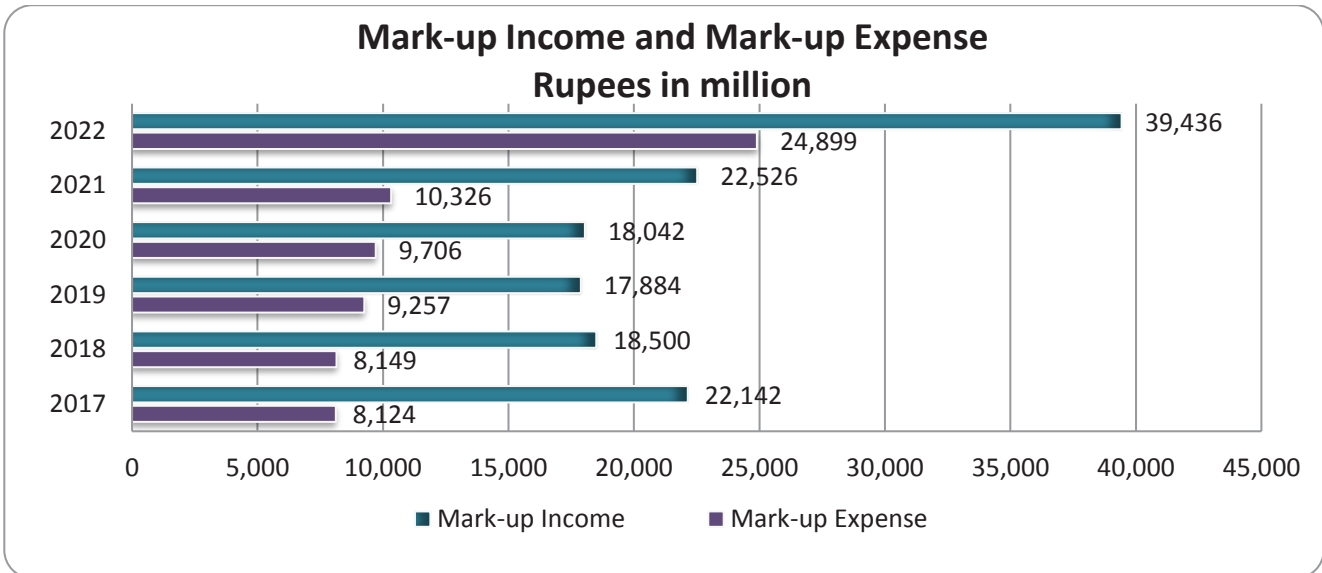
Profit before tax recorded at Rs.7,458 million (2021: Profit of PKR 1,783 million).
 After tax profit reached to Rs.5, 123 million (2021: Loss of Rs.1,735 million).
 Operating expenses increased by 11% to Rs 12,153 million (2021: Rs. 10,910 million).
 Basic earnings per share is reported at Rs. 0.97 as compared to LPS (2021: Rs. (0.33)).
 Liabilities in terms of deposits increased to Rs. 47,333 million (2021: Rs. 43,599 million).
 Gross advances have reduced by 7% to Rs107,623 million (2021: PKR 115,256).
 NPLs have decreased by 17% to Rs. 33,682 million (2021: Rs. 40,747 million).
 Investments (net) increased to Rs. 306,849 million (2021: Rs. 82,407 million).
 Total assets increased to Rs. 491,092 million (2021: Rs. 254,841 million).

Financial performance review 2022

Mark-up / Interest Income:

During the year 2022, loans of Rs. 69,631 million were disbursed. The markup earned against advances amounted to Rs. 15,828 million as compared to Rs. 15,561 million earned during 2021. The markup income against loans and advances represents 40% of total markup interest income.



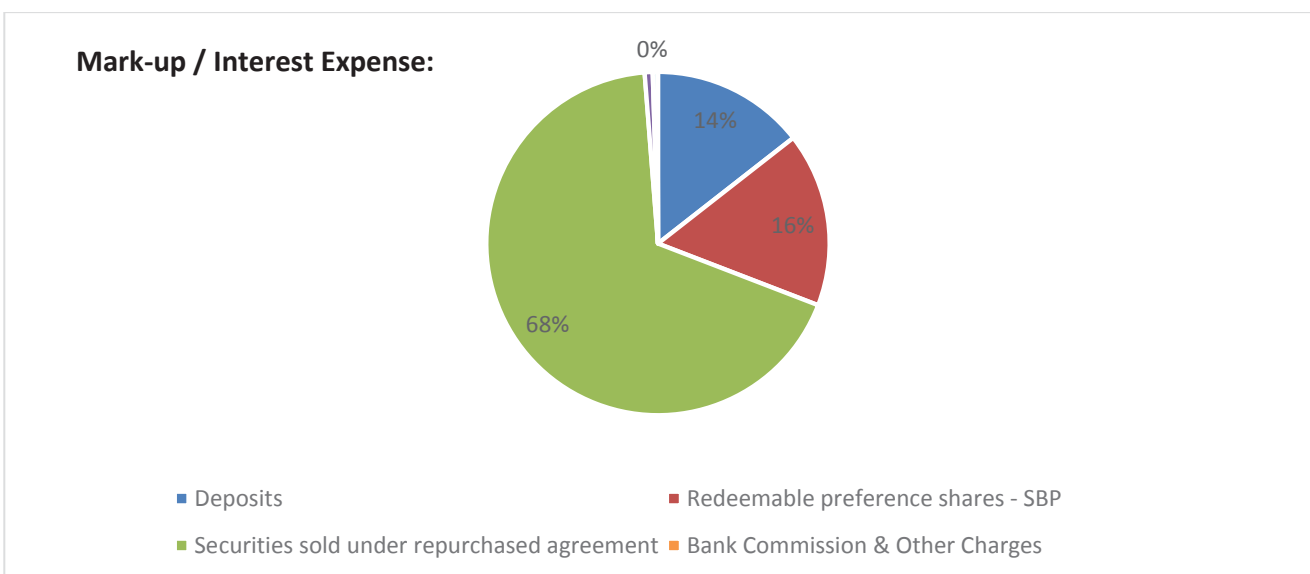


▪ **Markup income on investment:**

In 2022, ZTBL diversified its investment portfolio worth Rs. 306,849 million into Banks, government securities, listed companies' shares, and other sources of markup income like Investments in govt. securities, Securities purchased under resale agreement, Islamic mode of investments/placements, call money lending, and balances with other Banks, resulting in a markup earned of Rs. 23,608 million, compared to Rs. 6,965 million the previous year.

▪ **Mark-up / Interest Expense:**

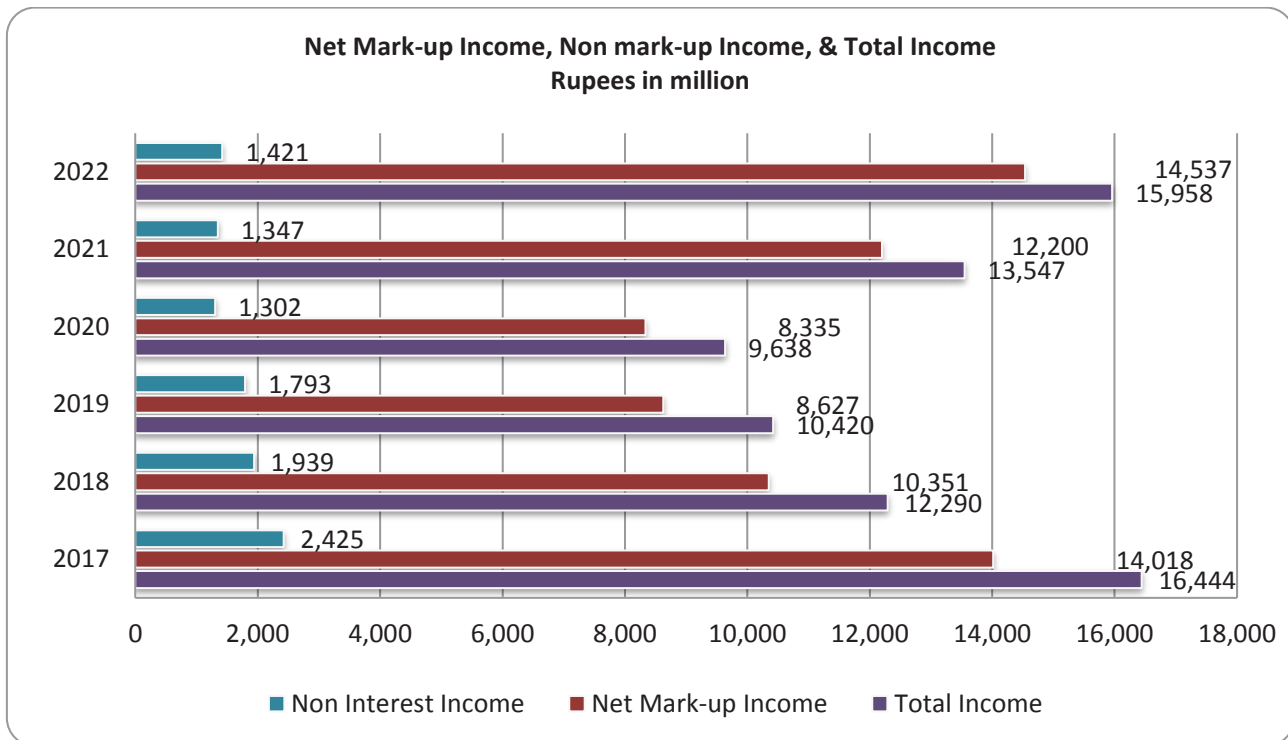
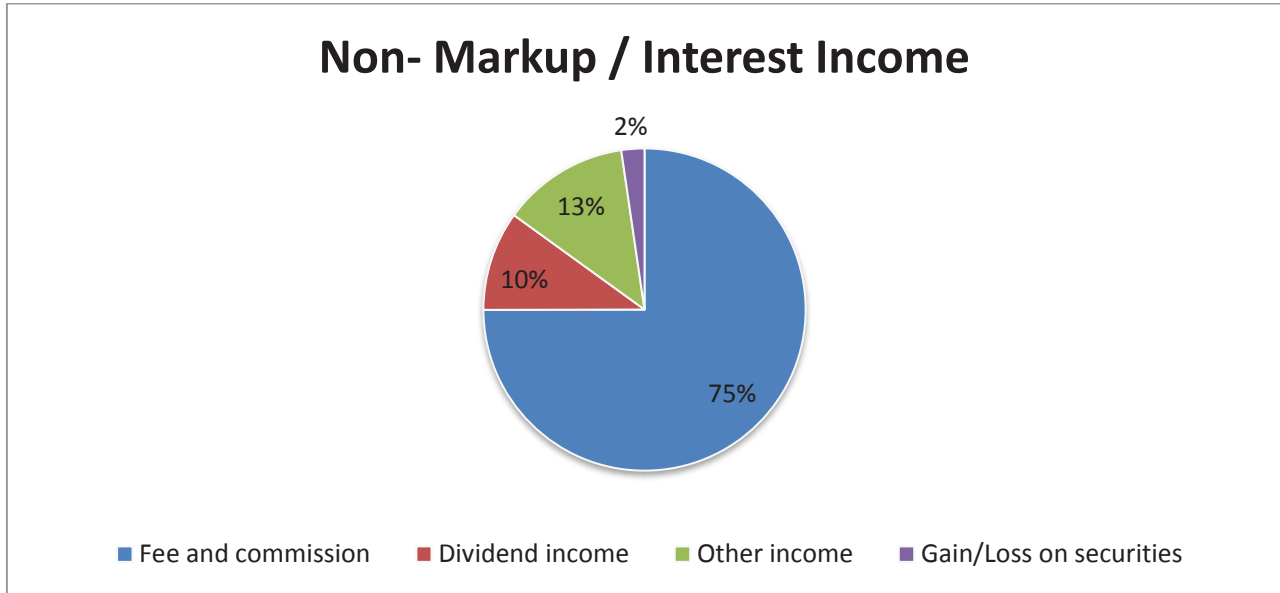
The total markup/interest expense for repo borrowing remained at Rs. 16,907 million. This was followed by preference share finance cost of Rs. 4,085 million (at 7.5% on SBP Redeemable Preference shares), deposit cost of Rs. 3,597 million, and other costs of Rs. 310 million, which include call borrowing, lease liability for the right to use assets, and Bank commission charges.

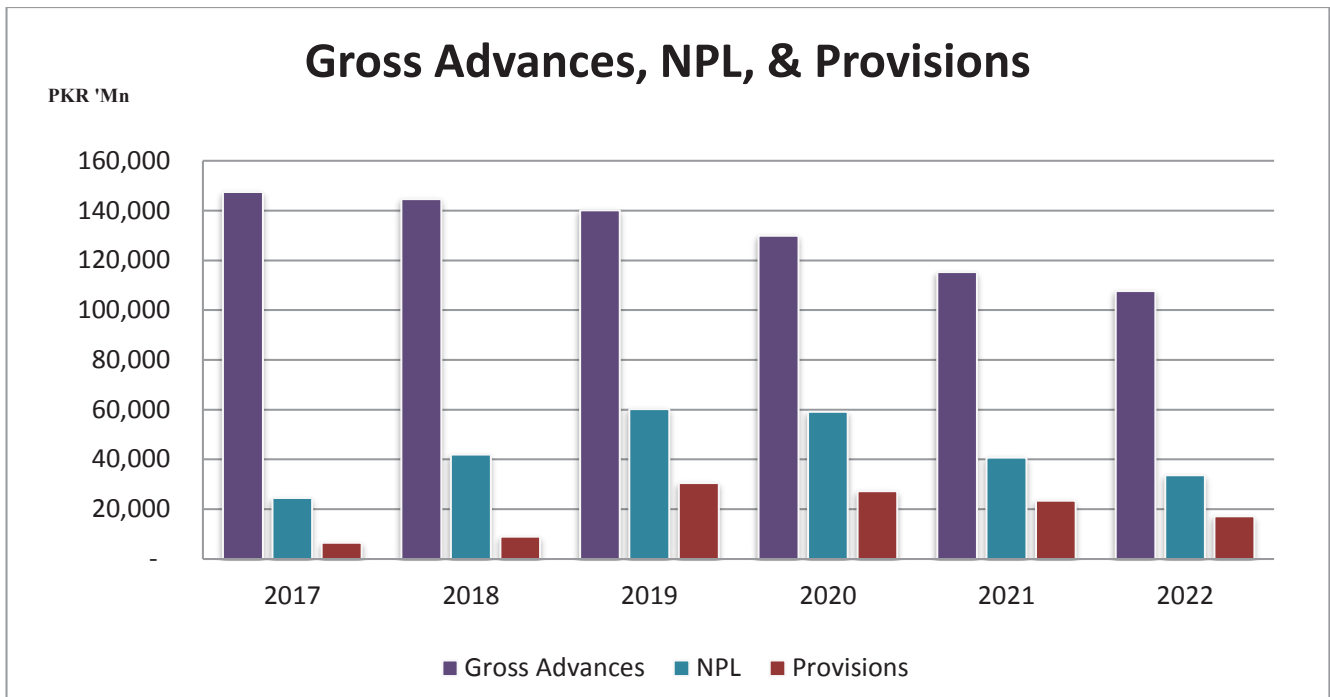


▪ **Non Mark-up / Interest Income**

Non-markup interest income comprises of dividend income on shares of listed company, fee and commission, Gain on Securities and other income, which constitutes 10%, 75%, 2% and 13% respectively of total non-mark-up income in the year 2022.

The total non-markup income recorded in 2022 was Rs. 1,421 million as compared to Rs. 1,347 million in the corresponding year 2021, showing an increase of 6%.

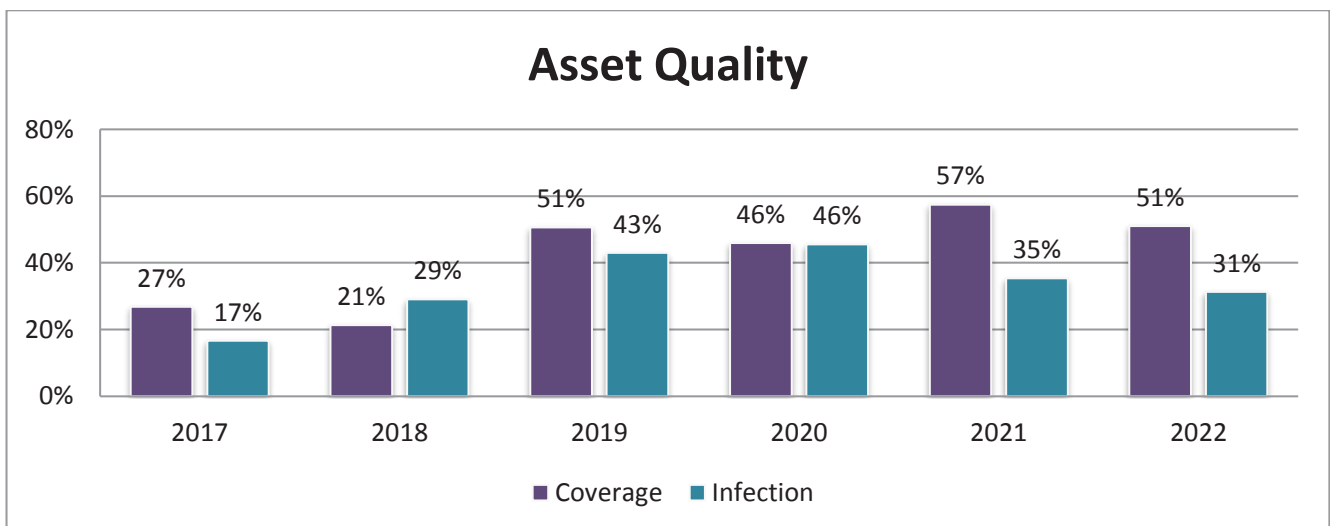




Provisions and NPL:

ZTBL made specific provisions of Rs.14,171 million against advances include staff advances and general provisions of Rs. 3,000 million in the year under review. Therefore, cumulative provision adds up to Rs. 17,171 million including staff advances as compared to the cumulative provision of Rs. 23,434 million in 2021. Non- performing loans experienced a decline of 7,064 million i.e. from Rs. 40,747 million to Rs. 33,682 million in 2022.

The asset quality indicators showed improvement during the year 2022 as the gross infection ratio decreased to 31% (2021: 35%); total provision coverage is 51% during current financial year (2021: 58%) and specific provision coverage 42% (2021: 50%).



- Operating expenses

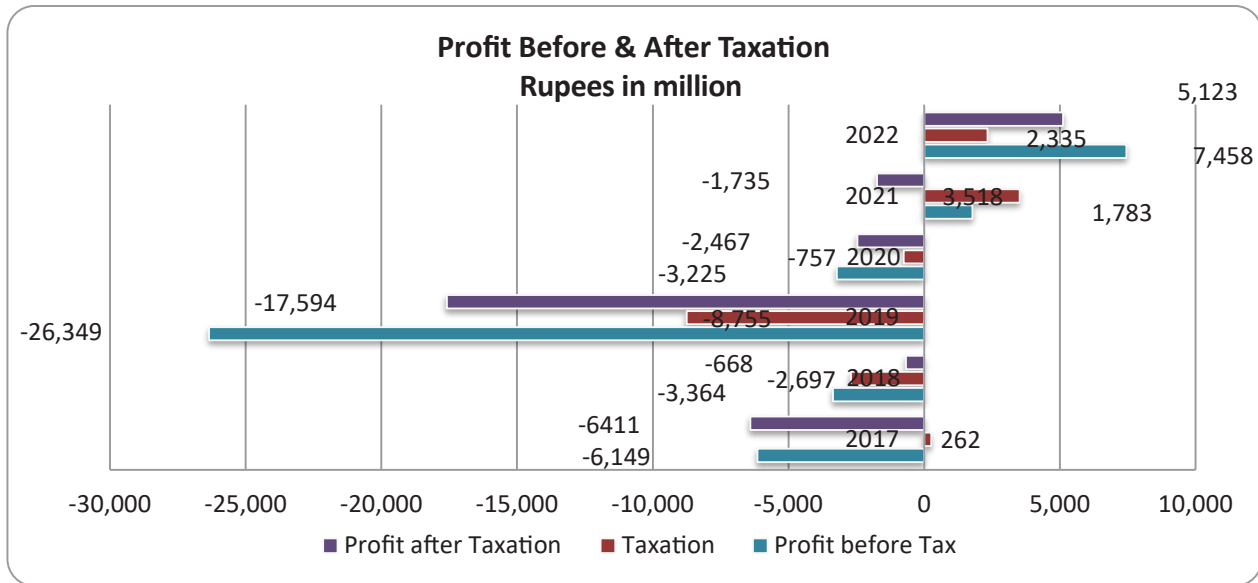
The operating expenses slightly increased by 11% due to inflationary impact amounted to Rs. 12,153 million during the year 2022 (2021: 10,910 million).

Taxes:

In FY 2022, a tax amount of Rs. 2,335 million was recorded, with a profit before taxation of Rs. 7,458 million and a profit after taxation of Rs. 5,123 million.

Net profit/(Loss):

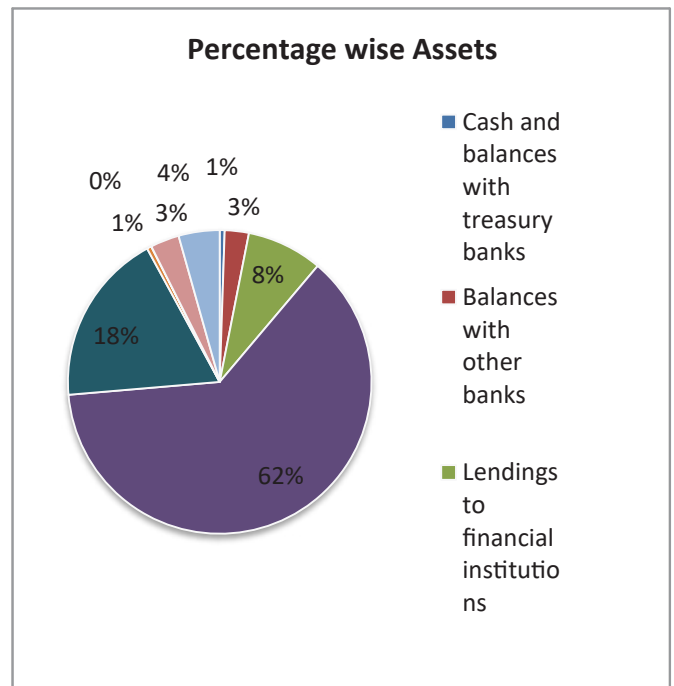
In the year under review, ZTBL reported a profit after taxation of Rs. 5,123 million as compared to corresponding period (2021: Net Loss Rs. (1,735) million).

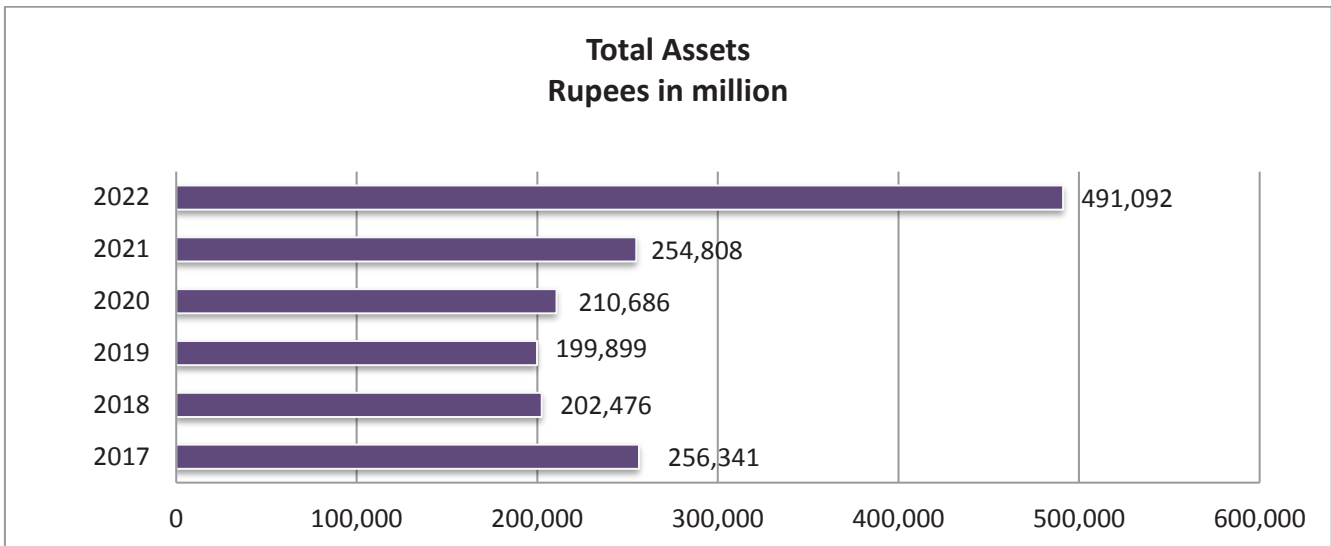


Financial Position Review 2022

Total assets:

Total assets of ZTBL represent 18% advances (net) and 62% of investment (net). The asset base of the Bank has increased by 93% to Rs. 491,092 million in the year 2022 (2021: Rs. 254,808 million) which include the major increase in investment (net). During 2022, the net advances amounted to Rs. 90,452 million as compared to Rs. 91,822 million in the previous year, which represents decrease of 1.50%.



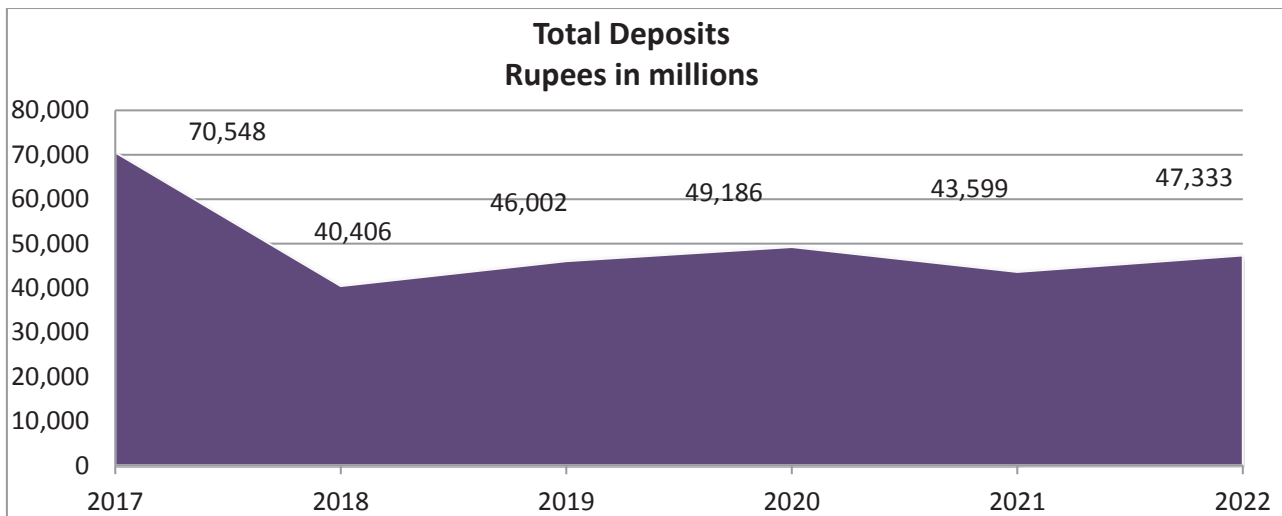


Total Deposits:

Total deposits of the Bank have increased by 9% to Rs. 47,333 million in 2022 (2021: Rs. 43,599 million).

During the year under review, share of current and saving deposits constitutes of 13% and 19% while share of term deposits remained 69%.

Moreover, as part of our continuous efforts to improve our deposit base and increase our customer's base, we opened 19,164 New to Bank CASA Accounts (NTBs) with fresh deposit of PKR 1,140 million during the year 2022.



Capital Strength & Adequacy:

ZTBL is keen to maintain its strong capital base in order to meet the regulatory requirements and maintain its shareholders, creditors and investor's confidence on sustainable business growth of the Bank. Adequacy of the Bank's capital is monitored using the rules and ratios established by the SBP and Basel framework. Tier-1 capital of the bank increased from PKR 44,965 million in FY 2021 to PKR 49,562 million in FY 2022 mainly due to increase in un-appropriated profit. Total Risk weighted assets also increased by PKR 7,836 million in FY 2022. The bank's total capital to RWA's was 33.69% in 2022 (FY 2021: 32.37%), which is well above the central bank's minimum requirement of 11.50%.

CET-1 capital ratio was also strong at 32.09% in 2022 (FY 2021: 30.67%) against required 6%. The Leverage ratio decreased to 10.09% in 2022 (FY 2021: 13.55%).

The latest Internal Capital Adequacy and Assessment Process (ICAAP) shows that ZTBL has adequate (33.69% CAR) to cover the entire risk profile created by its business and operational activities. The audited CAR under BASEL-III statement as on DEC 31, 2022 stands at 33.69%.

Corporate Social Responsibility:

ZTBL plays a key role for the welfare of the society like playing its role in shaping the economy and have a direct impact on the well-being of individuals, businesses, communities and farmers. CSR (Corporate Social Responsibility) is an important aspect of Banking; therefore ZTBL demonstrated commitments to CSR through various initiatives such as rehabilitation of flood affectees in the country, support for construction of villagers houses of flood affectees, warm clothes & food items for flood affectees of Balochistan. It also organized four day workshop on “ENVISION-22” held in Karachi, arrangement of mass marriage of deserving couples of Hindu Community and supported production & airing of Pakistan’s 1st ever disability inclusive national anthem on the eve of 75th anniversary of Pakistan. With regard to corporate social responsibility, ZTBL made a substantial contribution of Rs. 86.4 million to aid those affected by floods in the country. This included the construction of homes, provision of warm clothing and food items and rehabilitation of flood effectees in the country.

Credit rating (2021)

VIS Credit Rating Company Limited (VIS) has reaffirmed entity rating of ZTBL at ‘AAA/A-1+’ (Triple A/A-One Plus). Outlook on the assigned ratings is Stable.

Kissan Support Services Limited (KSSL)

Kissan Support Services (Private) Limited (‘the Company’) was incorporated as a Private Limited Company on September 19, 2005 under the Companies Ordinance, 1984 (repealed and replaced by Companies Act, 2017). It is a subsidiary of Zarai Taraqiat Bank Limited (ZTBL) which holds 100% shares with an Authorized Capital of Rs 100 million fully subscribed and paid. The registered office of the Company is situated at Zarai Taraqiat Bank Limited Head Office – 1 Faisal Avenue, Zero Point Islamabad.

The Company's principal business is to provide consultancy, advisory (except investment advisory) and support services (including all kinds of support staff and ancillary services) to ZTBL which includes provision of staff and security services.

KSSL took various employees welfare measures during the year 2022 to support its employees during financial difficulties that included providing Compensation Allowance ranging from Rs 3,000 to Rs 5,000 per month, effective January 1, 2022. In compliance with the Government of Pakistan's policy, the Minimum Wage for employees was set at Rs 25,000 per month, effective April 1, 2022. Additionally, KSSL revised its TA/DA Policy of 2015 to ensure employees were adequately compensated for official travel, and increased the Life Insurance limit for employees by 100% to provide sufficient compensation for their families. KSSL also paid AMIs for the years 2019, 2020, and 2021 with arrears in June 2022. The Overtime Allowance for Clerical/Non-Clerical Staff was increased to Rs 150/- per hour, effective July 1, 2022, and the Special Conveyance Allowance was increased from Rs 1,000/- to Rs 3,000/- per month, also effective July 1, 2022.



S.No.	Particulars	2021	2022
1.	Profit/(Loss) after taxation (Rs. in millions)	(64.916)	54.442
2.	Earnings/(Loss) per share (Rs.)	(6.49)	5.44

Risk Management Framework and Policy:

In today's banking environment, risk is deemed as a capability across the institution and not a function with narrowly designed and exclusive responsibility of Risk Management Group. Financial industry in particular, has been continuously struggling with the challenge of integrating a view and practice of Risk Management into a coherent hole that can reliably contribute at enterprise level decisions.

ZTBL has formulated its risk management policy in accordance with SBP guidelines on risk management. These guidelines combines core policies, procedures and process design with board oversight and is supported by risk monitoring across the Bank. The Bank is in continuous process of strengthening its risk management structure.

Risk Management framework of ZTBL involves Board Risk Management Committee (BRMC) and Internal Risk Management Committee (IRMC) that defines Bank's risk exposure, formulates strategies, develops policies, established optimal systems and controls to mitigate risks at strategic, macro and micro level. Risk Management ensures that risk taking decisions are in-line with the corporate goals; mission and the Bank-wide strategy set by the Board and allow the Bank to undertake more productive risk-taking activities or restrict high risk/low return activities.

ZTBL's strategic approach to risk involves organizational and cultural considerations through ensuring compliance to regulatory requirements and with best industry practices, while limiting potential losses, and creating appropriate transparency on risk (credit, market, liquidity, operational, Strategic risks, risk modeling, data/systems, reporting/MIS, stress testing, cyber risks), to improve profitability of the bank. Enterprise Risk Management Function of the bank, at minimum, addresses Credit risk, Market risk, Liquidity risk, Operational risk, Information Security Risk and other risks that individually or in combination with other risks have a material impact on bank's operations and its long term viability. The policy defines risk capacity of the Bank through MCR, establishes its risk appetite, ensure maintenance of minimum capital requirement, conduct independent risk review, and efficient implementation of Basel Accord.

Statement of Internal Controls

In 2004, State Bank of Pakistan issued Internal Control Guidelines requiring the banks to maintain an effective system of internal controls and described key components integral to the effective Internal Control System. In order to ensure consistency in the process of attaining compliance with this requirement, SBP prescribed a structured roadmap in 2009 which identified 8 activities/stages involved in the Internal Control Program. In order to comply with the aforesaid guidelines, the Bank conducted an exercise to document processes and controls with the help of consultant firm M/s EY Ford Rhodes and successfully completed all stages and submitted its report to SBP. Afterwards, Internal Controls Testing on periodic basis is being carried out by the Bank itself and the management considers that the Bank's existing System of Internal Control is reasonable in design and is being affectively implemented and monitored. Change Management is also documented with respect to changes occurring in controls due to automation and changes in organizational structure of the bank on Quarterly, Half-Yearly & Yearly basis.

Based on the work performed under Internal Control over Financial Reporting (ICFR), the management has identified various areas for process improvements as well as additional controls required to be put in place and areas

requiring strengthening of existing controls. After conducting review of Bank's Internal Control on annual basis, External Auditors' have been issuing Long Form Report (LFR) on ICFR since 2012 for submission to SBP. The Bank submitted LFR for the year 2020 to SBP as per requirement. After that submission was discontinued vide BSD Circular No.1 of 2021 dated July 06, 2021. The control weaknesses, pointed out by the auditors, are addressed by the relevant process owners.

Furthermore, the bank has hired consultant M/S KPMG Taseer Hadi & Co. to perform review of banks internal control system and update it accordingly; as the controls currently in place are rendered obsolete due to them being developed more than a decade ago and due to the progressive changes that occurred in bank's organizational structure, business processes & technological capacity over the years. Bank is continuously making efforts to ensure that an effective and efficient Internal Control System remains active and implemented through consistent and continuous monitoring that helps in improving reliability of financial reporting and the overall control environment.

The Board of Directors of the Bank is satisfied with the Internal Control System of the Bank and endorses the above evaluation.

Regulatory Compliance:

A brief overview of the Compliance division's performance for the year is provided below, including the accomplishments the division has achieved, In 2022, the bank deployed a revised e-KYC system and performed ODD (Ongoing Due Diligence) exercise for all active accounts. The bank accomplished this task for 97% of the accounts. The Bank also developed AML /CFT /CPF policy, which was approved by the Board Risk Management Committee (BRMC). In accordance with R-1 of SBP's AML/CFT/CPF Regulations, the bank has also Updated Internal ML/TF Risk Assessment Report of the bank. Furthermore, the report has been approved by the Board Risk Management Committee (BRMC) which demonstrates a substantial enhancement in the bank's risk profile. The bank has also developed BRDs (Business Requirement Documents) of several AML (Anti-Money Laundering) systems, which is a step towards the implementation of Reg Tech (Regulatory Technology). SBP as a risk-based supervision has identified the AML/CFT as high-risk area of inspection. However, due to improvement in bank's AML/CFT regime and efforts of Compliance function to arrange the timely replies/contests, number of annexures/observations as compared to previous inspection report is remarkably reduced. The Bank has also deployed a Knowledge Management System (KMS) that allows users to access training materials and take assessments. The system is a mini LMS (Learning Management System) and serves as a valuable tool for enhancing the skills and capabilities of employees.

Appointment of Auditors

M/s BDO Ebrahim & Company, Chartered Accountants, Islamabad was appointed as statutory auditors of the Bank for the year 2022.

Disclosure on Governance and Remuneration

Process of Appointment and Nomination of Directors

Banks (Nationalization) Act, 1974 states that the Chairman, the President and other members of the Board representing the Federal Government's direct and indirect shareholding shall be appointed by the Federal Government in consultation with the State Bank, for a term of three years, on such terms and conditions as may be fixed by the Annual General Meeting of the Bank.

Further, Public Sector Companies (Corporate Governance) Rules, 2013 provides that the Board shall set up a Nomination Committee to identify, evaluate and recommend candidates for vacant positions, including casual

vacancies, on the Board, including the candidates recommended by the Government for consideration of shareholders or in case of casual vacancy to the Board of Directors after examining their skills and characteristics that are needed in such candidates.

Profile of each Director (Qualification, Expertise & Experience) as on December 31, 2022.

S. NO.	NAME OF DIRECTOR	STATUS	QUALIFICATION	PREVIOUS EXPERIENCE	MEMBERSHIP ON THE BOARD OF OTHER COMPANIES
01	Mr.Asad Ullah Habib	President/CEO (A)	<ul style="list-style-type: none"> - E. M.B.A. - B.Com - D.A.I.B.P 	<ul style="list-style-type: none"> - SEVP/Group Head, ZTBL (Current) - EVP, Planning, Research & Technology Division, ZTBL - EVP, Recovery & SAM Division, ZTBL - EVP, Operations Division, ZTBL - SVP/RBH, The Bank of Punjab 	<ul style="list-style-type: none"> - Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL) - Member Board, PASSCO (On behalf of ZTBL)
02	Mr.Zafar Hasan	Director	<ul style="list-style-type: none"> - M.B.A. - M.Sc. (Economics) - M.P.P. 	<ul style="list-style-type: none"> - Secretary, Ministry of National Food Security & Research, GoP (Current) - Secretary, National Heritage and Culture Division - Secretary, Ministry of Communication - Secretary, Ministry of Planning, Development & Special Initiatives, 	<ul style="list-style-type: none"> - Deputy Chairman. Saudi Pak Industrial & Agricultural Investment Company Limited - Chairman Board, PASSCO - Chairman Board, Livestock Dairy Development - Chairman Board, Fisheries Development
03	Mr.Zaigham Mahmood Rizvi	Director	<ul style="list-style-type: none"> - M.A Economics - M.Sc. Chemical Engineering - MBA 	<ul style="list-style-type: none"> - Expert Consultant Housing to World Bank/IFC. - M.D./Chairman, House Building Finance Corporation - M.D. Pak Kuwait Investment Company - M.D. Pak Libya Holding Company - SEVP, Saudi Pak Industrial & Agriculture Investment Company - Advisor, State Bank of Pakistan - Director, Meezan Bank Limited - Oman Development Bank, IDBP, Dawood Hercules, 	
04	Mr. Syed Javed	Director	<ul style="list-style-type: none"> - Masters in Economics 	<ul style="list-style-type: none"> - Group Head, Customer Services, UBL 	<ul style="list-style-type: none"> - Chairman Board, Pakistan

				<ul style="list-style-type: none"> - Group Executive, Strategic Business Planning, UBL - Group Head, Human Resource, UBL - Nominee Director of UBL at Khushhali Microfinance Bank Limited and NIFT, 	Revenue Automation Limited
05	Mr. Muhammad Aslam Ghauri	Director	<ul style="list-style-type: none"> - MBA - M.Sc. (Social Policy & Planning in Dev. Countries) - B.E. (Electronics) 	<ul style="list-style-type: none"> - Sr. Joint Secretary Finance Division, (GoP) (Current) - Secretary, Environment Climate Change and Coastal Development Department, Govt. of Sindh - Secretary, Information Department, Govt. of Sindh - Secretary, Training, Management & Research Wing, SGS & CD, Govt. of Sindh - Managing Director, Sindh Public Procurement Regulatory Authority - Special Secretary, Home Department, Govt. of Sindh 	
06	Mr. Haaris Mahmood Chaudhary	Director	M.B.A.	<ul style="list-style-type: none"> - Chief Executive Officer, Universal Service Fund, Islamabad (Current). - Chief Financial Officer & Head of Corporate Affairs, Universal Service Fund. - Board Member, Pak Datacom Limited - Ex.Vice President, Barclays Bank - Vice President, Clariden Leu Asset Management Credit Suisse, Dubai - Vice President, ABN AMRO Bank - Standard Chartered Bank, Citibank 	Chief Executive Officer, Universal Service Fund, Islamabad (USF)

Details of Membership on the Board(s) of other Companies

Disclosure on Board of Directors					
Sr. No	Name of Director	Date of leaving/ joining the Board	Status of Director (Independent, Non-Executive, Executive)*	Member of Board committees	Number of other Board memberships along with the name of company(ies)
1	Mr. Asad ullah Habib	11.12.2022	Executive Director	1. Risk Management Committee. 2. Nomination Committee. 3. IT & Agriculture Technology Committee. 4. Product Development & Marketing Committee.	- Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL) - Member Board, PASSCO (On behalf of ZTBL)
2.	Mr. Zaigham Mahmood Rizvi	30.12.2020	Independent Director	1. Audit Committee 2. Human Resource Committee 3. Risk Management Committee 4. Procurement Committee 5. Nomination Committee. 6. Product Development & Marketing Committee	
3.	Mr. Syed Javed	30.12.2020	Independent Director	1. Audit Committee 2. Human Resource Committee 3. Risk Management Committee 4. Procurement Committee 5. Nomination Committee 6. IT & Agriculture Technology Committee. 7. Product Development & Marketing Committee	- Chairman Board, Pakistan Revenue Automation Limited.
4.	Mr. Zafar Hasan	14.06.2022	Non-Executive Director/Ex. Officio Director.	1. Nomination Committee 2. IT & Agriculture Technology Committee 3. Product Development & Marketing Committee	- Deputy Chairman. Saudi Pak Industrial & Agricultural Investment Company Limited - Chairman Board, PASSCO - Chairman Board, Livestock Dairy Development. - Chairman Board, Fisheries Development
5.	Mr.Muhammad Aslam Ghauri	07.10.2021	Non-Executive Director/ Ex. Officio Director.	1. Audit Committee 2. Risk Management Committee.	
6.	Mr.Haaris Mahmood Chaudhary	30.12.2020	Non-Executive Director	1. Audit Committee 2. Human Resource Committee 3. Procurement Committee 4. IT & Agriculture Technology Committee.	- Chief Executive Officer, Universal Service Fund

7	Mr.Nadeem Lodhi	11.03.2022/ 30.12.2020	Non-Executive Director	Human Resource Committee	
8	Mr.Muhammad Shahbaz Jameel	10.11.2022/ 11.11.2019	Executive Director	1. Risk Management Committee 2. Nomination Committee 3. IT & Agriculture Technology Committee 4. Product Development & Marketing Committee	
9	Mr.Abdul Ghufraan	24.05.2022/ 30.12.2020	Non-Executive Director	1. Human Resource Committee. 2. Nomination Committee 3. IT & Agriculture Technology Committee 4. Product Development & Marketing Committee	

*Mr. Nadeem Lodhi, Mr. Muhammad Shahbaz Jameel and Mr. Abdul Ghufraan left the Board as on mentioned dates against each.

Composition & Membership of Board Committees

1. AUDIT COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Syed Javed	Chairman
02	Mr.Zaigham Mahmood Rizvi	Member
03	Mr.Haaris Mahmood Chaudhary	Member
04	Mr.Muhammad Aslam Ghauri	Member
05	EVP/Chief Internal Auditor	Secretary

2. HUMAN RESOURCE COMMITTEE

S. No.	NAME OF MEMBER	STATUS
01	Syed Javed	Chairman
02	Mr .Zaigham Mahmood Rizvi	Member
03	Mr. Muhammad Aslam Ghauri	Member
04	Mr.Haaris Mahmood Chaudhary	Member
05	EVP/Head (Human Resource Division)	Secretary

3. RISK MANAGEMENT COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Mr.Zaigham Mahmood Rizvi	Chairman
02	Syed Javed	Member
03	Mr.Muhammad Aslam Ghauri	Member
04	Mr.Asad Ullah Habib	Member
05	Head/Head (Enterprise Risk Management Division)	Secretary

4. PROCUREMENT COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Mr.Haaris Mahmood Chaudhary	Chairman
02	Mr.Zaigham Mahmood Rizvi	Member
03	Syed Javed	Member
04	Mr.Muhammad Aslam Ghauri	Member
05	EVP/Group Head (Services Division)	Secretary

5. NOMINATION COMMITTEE

S. No.	NAME OF MEMBER	STATUS
01	Mr.Zafar Hasan	Chairman
02	Mr.Zaigham Mahmood Rizvi	Member
03	Syed Javed	Member
04	Mr.Asad Ullah Habib	Member
05	Company Secretary	Secretary

6. IT & AGRICULTURE TECHNOLOGY COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Syed Javed	Chairman
02	Mr.Haaris Mahmood Chaudhary	Member

03	Mr.Zafar Hasan	Member
04	Mr.Asad Ullah Habib	Member
05	EVP/Head (Information Systems Division)	Secretary

7. PRODUCT DEVELOPMENT AND MARKETING COMMITTEE

S.No.	NAME OF MEMBER	STATUS
01	Mr.Zaigham Mahmood Rizvi	Chairman
02	Syed Javed	Member
03	Mr.Zafar Hasan	Member
04	Mr.Asad Ullah Habib	Member
05	EVP/Head (Planning, Research & Technology)	Secretary

Number of Board & Committee Meetings Held and Attendance by the Members during the Year 2022

Nine (09) meetings of the Board were held during the year 2022. Attendance of the members remained as under: -

S.No.	Name of Member	Designation	No. of meetings attended
01	Mr.Nadeem Lodhi *	Chairman	02
02	Mr.Muhammad Shahbaz Jameel **	President/CEO/ Director	07
03	Mr.Asad Ullah Habib ***	President/CEO (A)	01
03	Mr.Abdul Ghufan #	Director	02
04	Mr.Zaigham Mahmood Rizvi	Director	09
05	Syed Javed	Director	09
06	Mr.Muhammad Aslam Ghauri	Director	09
07	Mr.Haaris Mahmood Chaudhary	Director	09
08	Mr.Zafar Hasan ##	Director	02

* Two meetings were held during his tenure.

** Eight meetings were held during his tenure

*** One meeting held during his tenure

Five meetings held during his tenure

Four meetings held during his tenure.

Directors' Participation in Board and Committee meetings									
S.No.	Name of Director	Number of Board meetings attended	Number of Committee meetings attended						
			Board Audit Committee	Board Human Resource Committee	Board Risk Management Committee	Board Procurement Committee	Board Nomination Committee	Board Product Development & Marketing Committee	Board IT & Agriculture Technology Committee
1	Mr.Nadeem Lodhi	02	---	01	---	---	---	---	---
2	Mr.Muhammad Shahbaz Jameel	07	---	---	02	---	---	03	---
3	Mr.Asad Ullah Habib	01	---	---	01	---	---	01	---
4	Mr.Abdul Ghufan	02	---	01	---	---	---	03	---
5	Mr.Zaigham Mahmood Rizvi	09	08	08	04	---	---	05	---
6	Syed Javed	09	07	07	04	---	---	05	---
7	Mr.Haaris Mahmood Chaudhary	09	08	---	---	---	---	---	---
8	Mr.Muhammad Aslam Ghauri	09	08	08	04	---	---	---	---
9	Mr.Zafar Hasan	02	---	---	---	---	---	0	---
	Total meetings held	09	08	08	04	0	0	05	0

Corporate and Financial Reporting Framework

The Directors are pleased to give the following statements in respect of compliance with the Corporate and Financial Reporting Framework.

- The Bank's financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, changes in equity, and cash flows.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Banking companies in Pakistan, have been followed in preparation of these financial statements.
- The current system of internal control is under constant review by the Internal Control over Financial Reporting Department and Internal Audit Department. Based upon the results through ongoing testing of financial reporting controls and internal audit carried out during the year, the management considers that the Bank's existing internal controls system is adequate and has been effectively implemented and monitored. Board endorses the statement of Internal Control attached to the Financial Statement for the year 2022.

- vi. Based on the results of December 31, 2022 the Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- vii. There have been no material departures from the best practices of Corporate Governance as detailed in the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited.
- viii. Key operating data and financial data of last six years in summarized form, are included in this Annual Report.
- ix. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2022 except as disclosed in these financial statements.

Disclosures Relating To Remuneration Policy

(a) There was a need to align the remuneration practices with internationally adopted best principles and standards in view of ever expanding risk portfolio and direct risk-taking behavior with remuneration but it must be within the available resources of ZTBL. Remuneration or salary or compensation is a vital part of total reward structure that encompasses all the tools available to attract, develop and retain employees. The Remuneration Policy reflects the Bank's objectives for good corporate governance as well as sustained and long-term value-creation for its employees.

Following are the key features and objectives and remuneration related governance framework:-

- (i) The Bank be able to attract, engage and retain high-performing and motivated employees in a competitive market.
- (ii) Employees are offered a competitive and market aligned remuneration package, making fixed salaries a significant component of remuneration; and
- (iii) Employees feel encouraged to create sustainable results for customers and the Bank.
- (iv) Policy also focuses on sound and effective risk management through alignment with the Bank's business strategy, values, key priorities and long-term goals, ensuring that the total bonus pool does not undermine the Bank's capital base and a stringent governance structure for setting goals and communicating these goals to employees.

(b) **Remuneration components:** - The remuneration components in ZTBL are: -

- i. Fixed remuneration (including allowances)
- ii. Performance-based remuneration (Bonus)
- iii. Pension scheme (where applicable)
- iv. Other benefits in kind.
- v. Severance payment, where applicable.

(c) (i) The salary system is composed of a salary range for each position that reflects the value of that position to ZTBL. Each salary range shows the gross salary and is set between defined minimum and maximum levels.

(ii) The ranges have an overlap to reward a high performing employee in a lower grade by paying a salary equal to or greater than the salary a relatively low performing employee may be receiving in a high grade. The system provides latitude in the administration of salaries to take account of both the value of the job and the value of the individual contribution to that job.

(iii) All ranges have defined maximum levels which are flexible. Separate salary packages have been approved by the Board of Directors for each category which are reviewed periodically with actuarial valuation of its financial impact.

(d) The Bank has identified the products and processes which may pose serious risks to the institution and identified the appropriate level of authorities and decision makers for these products and processes as Material Risk Takers (MRTs).

(e) Profit maximization is not the only benchmark for determination of salaries and bonuses or employees rather this policy also provides significant importance to the quantum of risk involved in generating profit.

- (f) **Responsibility levels of the key executives in major decisions**
- i. Annual business plans, cash flow projections, forecasts and long term plans, budgets including capital, manpower and expenditure budgets, along with variance analyses.
 - ii. Internal/commercial audit reports and observations raised by the SBP Inspection Team, including cases of fraud or major irregularities.
 - iii. Management letters issued by the external auditors.
 - iv. Status and implications of law suit or judicial proceedings of material nature, filed by or against the Bank.
 - v. Material payments of government dues, including income tax, excise and customs duties and other statutory dues.
 - vi. Any significant accidents and dangerous occurrences.
 - vii. Disputes with staff and their proposed solutions, any agreement with the CBA Union on their character of demands.
 - viii. Annual, quarterly, monthly or other periodical accounts are required to be approved by the Board for circulation amongst its members.
 - ix. Reports on governance, risk and compliance issues;
 - x. Periodical review of Human Resource Policies.
- (g) Salary is admissible as per pay scales, allowances and fringe benefits in vogue in respect of employees governed under SSR, 1961 whereas monetized salary is being paid to employees governed under SR-2005. Besides salary, performance bonus is also paid with the approval of the Board. On retirement/severance and death, certain benefits are also admissible.
- (h) Following are the basis for payment of bonuses and awards to CEO, senior executives and MRTs:-
- Profit before tax
 - Assessment of risk-adjusted return.
 - Cost
 - Customers satisfaction
 - Compliance with internal business procedures
 - Expected loss.
- (i) Bank has ensured and allowed separate monetized salary structure for Treasury cadre employees posted in Treasury Department being MRTs since they are performing Risk Control Functions.

REMUNERATION OF DIRECTORS

Bank adopts the remuneration policy for Board members as given in Section 78 of the Articles of Association of the Bank and Section 11 of Banks (Nationalization) Act, 1974. At present, the shareholders approved the following remuneration/fees and other benefits for the members for attending Board/Committee of the Board/General Meetings;

1.	Meeting of the BoD/shareholders	Rs.40,000/meeting
2.	Meeting of Board Committees	Rs.25,000/-meeting
3.	Traveling	Return Air Ticket (Business Class) 18/Km if travelled by own Car.
4.	5 Star Hotel accommodation	At actual

Future Outlook:

The Bank has also undertaken technology-related initiatives in the software development field, which include the digitalization of pension and retirement benefits under SR-1961 & SR-2005, implementation of a Compliance Monitoring and Reporting System (CMRS), upgrading the ORR in CBAS, and integration of a CRP module in the CDMS. The development and implementation of RAAST Phase II (P to P) is ongoing. The bank is currently working on the development of Islamic ATM application, which includes: Developing an application for requesting Islamic ATM cards (CDMS IB - Front End), Integrating the Islamic ATM application with the switch and 1 Link (CDMS IB - Back End), Improving the ATM Transaction Monitoring system to display transaction logs, Implementing the Islamic ATM application with set transactions and Master Codes, Configuring and approving accounting entries for both Islamic and Conventional Systems. ZTBL is currently providing Home Remittance services through cash over counter, but after the implementation of a new Home Remittance system, ZTBL will be able to handle all types of transactions. The new system will have the capability to offer various modes of Home Remittance payments, such as freelance, B2C, and C2B payments, among others.

The bank is currently working on the RAAST G2P platform, which is scheduled to be launched in early 2023. The bank is also planning to release Internet Banking and Mobile Banking Application in current year. Additionally, the bank is planning to install special ATM facilities for disabled persons, make mobile vans with ATM facilities available to the public and launch a Farmer's portal in 2023, which is specifically designed to meet the needs of farmers. The bank is also going to implement a Multi-channel (Conventional and Digital) Fraud Detection and Prevention system to closely monitor all Debit and Credit transactions. The bank is working to integrate a CRM (Customer Relationship Management) solution with the switch and other surrounding applications to help make informed decisions about customers and track sales, marketing and other critical services. The bank is planning to establish DR Site of ZTBL Call Center, Card Production setup as per SBP Mandate, establish Digital services for Islamic Banking clients, launch POS network in ZTBL branches for card based / Card Less / QR Payment transactions, re-launch sales force monitoring and management for MCO through digital gadgets and collaborate with Fin-Tech companies, insurance companies, marketing companies and other active relevant industry players for coming up with a differentiated e-solutions for ZTBL clients.

IBD is planning to commence financing operations in the forthcoming period initiating through offering products like Zarai Islamic Tahafuz e Ajnas are in process. The purpose of Zarai Islamic Tahafuz e Ajnas is to provide financing facility for storage and protection of agriculture outputs through establishment/renovation/up gradation of required infrastructure like Godown, Warehouses, Silos etc. Several schemes to enhance the well-being of farmers and the agriculture industry as a whole are currently in development and will be launched in the near future such as Prime Minister's Youth Business & Agriculture Loan Scheme, GOP Markup Subsidy Scheme (GMSS) for Revival of Agriculture/Livestock Sectors in Flood Affected Areas, Interest Free Loans and Risk Sharing Scheme for Landless Farmers (IF&RSLF) in Flood Affected Areas, Markup Subsidy and Risk Sharing Scheme for Farm Mechanization, Kissan Rozgar Scheme (KRS)-Financing for Establishment of Dry Fruit Shop, Digital Kissan Karobar Scheme, Financing Product for Fruits & Vegetable Saver, Financing Product for Potato Grader, Financing for Establishment of High Efficiency Irrigation System, Financing for Chakki for Making Masalajat (Chilli, Dhanya, Zeera etc.).

To strengthen the compliance function of the bank, following steps are being started: automation of Field Compliance Monitoring Units, implementing a Compliance Risk Management System, procuring a Third Party System for Sanction Screenings, TMS Subscription of PEPs. The planned implementation of agriculture technology is scheduled that include Establishment of herbal garden, conversion of ZTBL farm into solar energy, liaison with agri- extension and research organization and universities for collection and dissemination of technical knowledge.

To develop skills and advance professionally, SBP has expressed the desire to utilize e-learning, mobile-based learning, webcasting, and video conferencing or virtual classroom services to enhance the capabilities of their employees and to expand the reach of training. In compliance with the directives of SBP, the T&DD department has implemented a hybrid approach in creating the Training Plan for the year 2023.

Value of Investments in Employees' Benefits Fund:

The Bank operates 10 Funds for its Employees and as per last respective un-audited financial statements their value of Investments are;

Year ended as on 31.12.2022		
S.R#	Name Of Fund	Rs. Million
1	Employees Benefit Fund	126.12
2	Benevolent Fund (Officers)	1,181.94
3	Benevolent Fund (Staff)	710.12
4	Pension Fund	11,444.73
5	Gratuity Fund	-
6	Employees Provident Fund	128.66
7	General Provident Fund (Officers)	4,528.76
8	General Provident Fund (Staff)	725.77
9	Contributory Provident Fund	803.28
10	Gratuity Fund (under SR-2005)	2,270.49
	*Unaudited Figures	21,919.86

Profit & Loss Appropriation- 2022 (Rupees in '000)

Profit Before Tax	7,457,961
Taxation:	
Current	4,852,089
Prior Year (s)	
Deferred	(2,516,975)
Profit After Tax	5,122,847
Un-appropriated (loss)/gain b/f	(6,037,016)
Other comprehensive (loss)/gain- tax	
Profit after taxation for the year	5,122,847
Transferred to statutory reserve	(1,024,569)
Unappropriated (loss) / profit as on Dec 31, 2022.	(1,203,782)

SHARE HOLDING
(As on 31.12.2022)

SR. NO.	NAME OF SHARE HOLDER	NUMBER OF SHARES
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A. ORDINARY SHARE CAPITAL

01	Government of Pakistan	1,251,189,067
02	State Bank of Pakistan	4,015,599,174
03	Government of Punjab	292,340
04	Government of Sindh	125,545
05	Government of Khyber Pakhtunkhwa	71,740
06	Government of Balochistan	37,875
07	Government of Erstwhile East Pakistan *	527,500
	Total	5,267,843,241

B. PREFERRED SHARE CAPITAL

01	State Bank of Pakistan	5,446,153,632
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* Share certificates not yet issued.

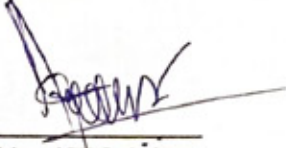
** Preference shares (Non participatory, Redeemable) were issued to State Bank of Pakistan in March 2017.

Corporate Information**(As on 31.12.2022)**

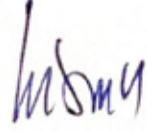
Name:	Zarai Taraqati Bank Limited	
Head Office:	Islamabad	
Legal Status:	A Public Limited Company (By shares)	
Location of Assets:	In Head Office and in Zonal and Branch offices located at various positions across the country	
Authorized Capital:	Rs.125,000,000,000/- divided into 7,000,000,000 Ordinary shares of Rs.10/- each and 5,500,000,000 Preference shares of Rs.10/- each	
Paid-up capital:	Ordinary Share Capital	Rs.52,678,432,410/-
	Preferred Share Capital	Rs.54,461,536,320/-
<i>Board of Directors:</i>	<i>Mr. Asad Ullah Habib</i>	<i>Director</i>
	<i>(Acting President/CEO)</i>	
	<i>Mr. Zaigham Mahmood Rizvi</i>	<i>Director</i>
	<i>Syed Javed</i>	<i>Director</i>
	<i>Mr. Zafar Hasan</i>	<i>Director</i>
	<i>Mr. Muhammad Aslam Ghauri</i>	<i>Director</i>
	<i>Mr. Haaris Mahmood Chaudhary</i>	<i>Director</i>
Chief Financial Officer:	Mr. Muhammad Arif	
Company Secretary:	Mr. Tariq Mahmood Talib	

Appreciation & Acknowledgement

In the end, Directors place on record their sincerest appreciation for the significant contribution made by our employees through their dedication, hard work and commitment as also for the trust reposed on us by the agriculture fraternity and farmers. We also acknowledge the support extended to us by State Bank of Pakistan and other regulators, shareholders, collaborators and customers at large. We look forward to continued support in our endeavor to accelerate access to innovative and affordable finance to agriculture.



President/CEO (A)



Independent Director

REPORT OF SHARIAH BOARD



Report of Shariah Board (For the Year 2022)

In the name of Allah, the Beneficent, the Merciful

By the Grace of Almighty Allah, the year under review is the 5th year of operations of Islamic Banking Division of Zarai Taraqiati Bank Ltd. The scope of this report is to cover the affairs of the bank from Shariah perspective as required under the Shariah Governance Framework of State Bank of Pakistan.

State Bank of Pakistan has accorded in-principle approval for Islamic banking in the month of July 2017. After fulfillment of all required conditions, SBP granted license and permission for the commencement of the business of Islamic Banking and thereafter Islamic Banking Division started its operations in the year 2018.

Review and Approval of New Products and Policies/Manuals/Documents/Agreements:

Documents including Policies/Manuals/Agreements or amendments therein submitted by Islamic Banking Division were reviewed and Shariah approvals were granted. The following Policies/Manuals/Documents/Agreements were reviewed and approved by Shariah Board;

Policies, Manuals & Products:

1. Shariah Compliance Manual (Amendments)
2. Staff Financing Products Under Islamic Modes of Financing
3. Liability Product Manual (Addendum)
4. Zarai Islamic Alternate Renewable Energy Financing
5. Zarai Islamic Milk Processing & Preservation Financing
6. Zarai Islamic Farm Mechanization & Agriculture Machinery Financing
7. Zarai Islamic Soil Less Tunnel Farming Financing

Agreements & Documents:

1. Timeline of Profit & Loss Distribution (Amendments / Changes)
2. Shariah Approval of SBP facility "Shariah Compliant Standing Ceiling Facility-Mudarabah Based Financing Facility (MFF)".
3. Shariah Approval of SBP facility "Shariah Compliant Mudarabah Based Open Market Operations-Injections (OMO-Injections)".
4. Annual Training Plan-2022 of ZTBL-IBD
5. Review report on charity distribution (accrued till December 31, 2021)
6. Internal Shariah Compliance Review Plan-2022
7. Shariah Approval for Accrual of Profit of Al-Barakah Sukuk
8. Shariah Approval of the list of Islamic Banks/Windows for Funds Placement/Acceptance.
9. Approval of the Addition of "Cancer Care Hospital & Research Centre Lahore" to the ZTBL-IBD Approved List of Charitable Institutions.
10. Shariah Approval of Extension in Deadline for Declaration of Profit Rates for the month of Feb-2022
11. Review of Periodic Status of compliance of audit observations
12. Review of half yearly status report of unresolved Shariah related issues for the period ended December 31, 2021
13. Shariah Approval for the Purchase of Upcoming GoP Ijarah Sukuk

14. Shariah Approval/Clearance of Placement of ZTBL Hajj funds (collected in Staff salaries) in Shariah Compliant Avenues of IBD
15. Schedule of Charges & Revised Schedule of Charges (July to December-2022)
16. Schedule of Charges (January to June-2023)
17. Islamic Financing Modules of CBAS-Islamic & Financing Forms/Documents.
18. External Shariah Audit Report of ZTBL-IBD for the Year 2021.
19. Shariah Board Opinion / Certificate regarding operations of the proposed Islamic Banking Windows (as required by SBP)".
20. Shariah Approval of OBS AGP Rs. 2,600m Sukuk Issue –NOC for Asset Carve Out
21. Shariah Approval / Vetting of the Neon Sign Board & Standee Design of the IBWs.
22. Annual Training Plan-2023 of ZTBL-IBD
23. Shariah Board Review and Approval of "Circular of DM with Process Flow"
24. Shariah Approval / Opinion of SB Regarding "Alco Agenda - IB Financing Pricing"
25. Shariah Approval of Revised MCB Islamic Interbank Musharakah Acceptance and Placement Agreements
26. Shariah Approval of Minor Changes made by ABL-Islamic in our approved Master Musharakah Acceptance & Placement Agreements
27. Shariah Approval of "Conversion Plan 2023"
28. Shariah Approval of UBL Ameen Master Musharakah Acceptance & Placement Agreements.

Approval of Sukuk:

1. GOP Ijarah Sukuk Investments
2. Shariah Approval of Bank Islami Tier-1 Upcoming Sukuk Investment
3. GOP Ijarah Sukuk Auction Participation

Shariah Board Meetings

The Shariah Board convened meetings four times during the year as per regulatory requirement along with meetings with Board of Directors. Further, SB attended various meetings with member of Board of Directors, authorized for coordination with Shariah Board / Management to discuss all aspects for making the bank Shariah compliant. Apart from these meetings, SB continuously monitored and guided IBD on matters related to Shariah.

Shariah Compliance and Shariah Audit

Shariah compliance has been the strength of ZTBL-Islamic Banking. Shariah compliance mechanism operates at different levels ranging from approval of the products by the SB, approval of specific process flows, random transaction reviews etc. Shariah Compliance Department (SCD) and Shariah Audit Unit perform their functions under the guidance of Shariah Board. SCD conducted Shariah Compliance / Control Review, under the supervision of RSBM, of the Islamic Banking branches and relevant departments of IBD. Shariah Audit unit also conducted Shariah audit of the Islamic Banking branches. Furthermore, the Profit Distribution and Pool Management were reviewed regularly by SCD on monthly basis before each disbursement along with quarterly Internal Shariah Audit Unit. All the reports were submitted to Shariah Board as required under SGF of SBP for obtaining suggestions/corrective actions. During the review, few amendments and corrections were also proposed that were approved by SB. The SCD has ensured the compliance and implementation of the SB rulings.

Training and Capacity Building

The Training Plan of IBD for the year 2022 has been approved by Shariah Board. IBD and Training & Development Division with support of SCD arranged 02 trainings for the staff of Islamic Banking Branches and IBD. Furthermore, 02 trainings for the staff of Islamic Banking Windows were also arranged. Moreover, during Shariah Compliance review, group discussions were also held in reviewed Islamic Banking Branches.

SCD's staff visited Islamic Banking Branches for assessment of understanding of staff and their interaction with customers. It was noted that most of the branches staff's knowledge regarding Islamic banking and Shariah compliance is satisfactory. Further, the interaction of staff with customers to gauge customer's satisfaction was also observed satisfactory.

Conclusion

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of ZTBL-Islamic Banking are conducted in a manner that comply with Shariah principles at all times, Shariah Board is required to submit a report on the overall Shariah compliance environment of ZTBL-Islamic Banking. To establish our opinion as expressed in this report, the Shariah Audit Unit and Shariah Compliance Department carried out Shariah Audit / Compliance Reviews, of the Islamic Banking Branches and relevant departments of IBD. All the reports of the Internal Shariah Audit and Internal Shariah Compliance Review were checked/reviewed.

Based on above and to the best of our knowledge we are of the view that in the year 2022:

- i. The ZTBL-Islamic banking has complied with Shariah rules and principles in the light of Shariah opinions (decisions), rulings and guidelines issued by the Shariah Board.
- ii. The ZTBL-Islamic banking has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Advisory Committee.
- iii. ZTBL-Islamic banking has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of Shariah Compliance Department, independent Internal Shariah Audit Unit, full time RSBM in the bank and trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP are in place.
- iv. ZTBL-Islamic banking has a well-defined system in the shape of Shariah Compliance Review and Internal Shariah Audit in place sound enough to ensure that any earnings realized from sources or by means prohibited by the Shariah shall be credited to charity account that will be properly utilized.
- v. ZTBL-Islamic banking has complied with the SBP instructions on profit and loss distribution and pool management.
- vi. The level of awareness, capacity and sensitization of the staff, and the management for Shariah Compliance remained acceptable. It is encouraging to note that the Bank's Training & Development Division on our advice carried out Islamic Banking training for all the employees posted in Islamic Banking branches.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

Recommendations:

- i. Shariah Board has already approved the Conversion Plan for the year 2023 and the same was submitted to State Bank of Pakistan. State Bank of Pakistan has accord approval for conversion of 20 branches in to Islamic Banking in the year 2023. It is recommended that the conversion process may be completed within SBP's given timeline. Going forward, it is further recommended that the conversion may be carried out every year to enhance the network of IBD.

In the end; we pray to Allah Almighty to grant us success in both worlds and help us at every step, keep us away from every hindrance and difficulty, and give financial success to ZTBL-IBD.



Mufti Fawad Ali
RSBM



Mufti Muhammad Wasie Fasih
Chairman SB

Date of Report: 30/01/2023

شریعی بورڈ رپورٹ

(برائے سال 1443 ھ بمطابق 2022ء)

اللہ کے فضل و کرم سے، زیر نظر سال اسلامی بینکاری زرعی ترقیاتی بینک لمیٹڈ کے آپریشن کا پانچواں سال ہے۔ شریعی بورڈ کی اس رپورٹ کو پیش کرنے کا مطمح نظر زرعی ترقیاتی بینک لمیٹڈ کی اسلامی بینکاری اور اس کے معاملات کا شرعی جائزہ پیش کرنا ہے جو کہ اسٹیٹ بینک آف پاکستان کے جاری کردہ شریعی گورننس فریم ورک کی ہدایات کے مطابق ایک لازمی امر ہے۔

اسٹیٹ بینک آف پاکستان نے جولائی 2017ء میں زرعی ترقیاتی بینک کو اسلامی بینکاری کی اصولی منظوری دی۔ اور تمام تر مطلوبہ شرائط پورا کرنے کے بعد اسٹیٹ بینک آف پاکستان نے اسلامی بینکاری کے لائسنس اور تجارت شروع کرنے کی اجازت دی، اور یوں زرعی ترقیاتی بینک لمیٹڈ نے سال 2018ء میں اسلامک بینکنگ کے آپریشنز کا آغاز کیا۔

نئی پروڈکٹس اور پالیسیاں / مینولز / ڈا کو منٹس / آئیگریمینٹس کی منظوری اور جائزہ:

اسلامک بینکنگ ڈویژن کی طرف سے مختلف دستاویزات بشمول پالیسیاں / مینولز / معاہدات یا ان دستاویزات میں ترامیم شریعی بورڈ کو شرعی جائزہ کے لئے پیش کی گئی، چنانچہ شریعی بورڈ نے ان دستاویزات کا شرعی اعتبار سے مکمل جائزہ لینے کے بعد اس کی منظوری دی۔ شریعی بورڈ کی طرف سے مندرجہ ذیل پالیسیوں / مینولز / دستاویزات / معاہدات کا جائزہ لیا گیا اور اس کی منظوری دیدی گئی۔

پالیسیاں مینولز اور پروڈکٹس :

1. شریعی کسپلائنس مینول (ترامیم)
2. اسلامک فنانسنگ کے طریقہ کار کے تحت سٹاف فنانسنگ پروڈکٹس
3. لائسنس پروڈکٹ مینول (ترامیم)
4. متبادل قابل تجدید توانائی کے لئے زرعی اسلامک فنانسنگ
5. دودھ کی پروسیسنگ اور تحفظ کے لئے زرعی اسلامک فنانسنگ
6. فارم کے مشینائزیشن اور ایگریکلچر مشینری کے لئے زرعی اسلامک فنانسنگ
7. سوئل لیس ٹیل فارمنگ کے لئے زرعی اسلامک فنانسنگ

معاہدات اور ڈا کو منٹس (دستاویزات):

1. نفع اور نقصان کے تقسیم کار کے لئے وقت کا تعین (ترامیم / تبدیلیاں)
2. اسٹیٹ بینک آف پاکستان کی فیسلٹی "شریعی کسپلائنس اسٹینڈنگ سیلنگ فیسلٹی" مضامینہ کی بنیاد پر فنانسنگ فیسلٹی کی شریعی اپروول
3. اسٹیٹ بینک آف پاکستان کی فیسلٹی "مضامینہ کی بنیاد پر شریعی کسپلائنس اوپن مارکیٹ آپریشنز" کی شریعی اپروول

صکوک کی منظوری

1. جی او پی اجارہ صکوک کی سرمایہ کاری
2. بینک اسلامی کے آن والے ٹیئر 1 صکوک کی سرمایہ کاری کی شریعہ اپروو ل
3. جی او پی اجارہ صکوک کے آکشن میں شرکت

شریعیہ بورڈ کی میٹنگز:

دوران سال شریعیہ بورڈ نے ریگولیٹری ضرورت کے مطابق چار مرتبہ اپنی میٹنگز کیں اور اس کے ساتھ ساتھ بورڈ آف ڈائریکٹرز کے ساتھ بھی میٹنگز کیں، شریعیہ بورڈ نے بورڈ آف ڈائریکٹرز کے ممبر کے ساتھ بھی مختلف میٹنگز کیں، جس (ممبر) کو بورڈ آف ڈائریکٹرز نے اس بات کا مجاز بنایا ہے کہ وہ شریعیہ بورڈ / مینجمنٹ کے ساتھ ان تمام امور پر بات چیت کرے، جس سے بینک تمام پہلوؤں سے شریعیہ کپلائنسٹ بن جائے، مذکورہ بالا میٹنگز کے علاوہ شریعیہ بورڈ نے شریعت سے متعلق مسائل پر شعبہ اسلامک بینکنگ ڈویژن کی مسلسل نگرانی کی، اور اس حوالے سے ان کو رہنمائی فراہم کی۔

شریعیہ کپلائنس اور شریعیہ آڈٹ:

شریعیہ کپلائنس زرعی ترقیاتی بینک کے اسلامی بینکاری ڈویژن کی قوت رہا ہے۔ شریعیہ کپلائنس نظام مختلف سطحوں پر عمل پیرا ہوتا ہے، جیسا کہ شریعیہ بورڈ سے پراڈکشن کی منظوری، مخصوص قسم کے پراسس فلوز کی منظوری، معاملات کی عمومی نظر ثانی وغیرہ (ہر عملی اور تربیتی مرحلے میں شریعیہ کپلائنسٹ نظام کی نگہداشت رکھی جاتی ہے)۔ شریعیہ کپلائنس ڈیپارٹمنٹ اور شریعیہ آڈٹ یونٹ شریعیہ بورڈ کی رہنمائی میں کام کرتے ہیں۔ شریعیہ کپلائنس ڈیپارٹمنٹ نے کل وقتی شریعیہ بورڈ ممبر کے زیر نگرانی اسلامک بینکنگ کی برانچوں اور اسلامک بینکنگ ڈویژن کے متعلقہ ڈیپارٹمنٹس کا شریعیہ کپلائنس / کنٹرول ریویو کیا۔ شریعیہ آڈٹ یونٹ نے بھی اسلامک بینکنگ کے برانچوں کا شریعیہ آڈٹ کیا۔ علاوہ ازیں! شریعیہ کپلائنس ڈیپارٹمنٹ ہر ملہ نفع تقسیم ہونے سے پہلے، نفع کی تقسیم اور پول مینجمنٹ کا باقاعدگی سے جائزہ لیتی ہے۔ اور اسی طرح انٹرنل شریعیہ آڈٹ یونٹ بھی سہ ماہی بنیادوں پر اس کا آڈٹ کرتی ہے۔ اسٹیٹ بینک آف پاکستان کے شریعیہ گورننس فریم ورک کے تحت تمام رپورٹس شریعیہ بورڈ کو پیش کی جاتی ہے، تاکہ شریعیہ بورڈ کی تجویز / درستی عمل کو حاصل کیا جاسکے۔ دوران جائزہ، کچھ ترامیم اور ضروری اصلاحات تجویز کی گئی جو شریعیہ بورڈ نے منظور کئے۔ شریعیہ کپلائنس ڈیپارٹمنٹ نے شریعیہ بورڈ کے فیصلوں کی تعمیل اور نفاذ کو یقینی بنایا۔

ٹریڈنگ اور پیشہ ورانہ مہارت / صلاحیت کی تعمیر:

اسلامک بینکنگ ڈویژن کا ٹریڈنگ پلان برائے سال 2022ء شریعیہ بورڈ سے منظور ہوا۔ اسلامک بینکنگ ڈویژن اور ٹریڈنگ اور ڈیپارٹمنٹ ڈویژن نے شریعیہ کپلائنس ڈیپارٹمنٹ کی مدد سے اسلامک بینکنگ ڈویژن اور اسلامک بینکنگ برانچز میں کام کرنے والے تمام اسٹاف کے لئے دو (2) ٹریڈنگ منعقد کروائے، اس کے علاوہ اسلامک بینکنگ وٹنوز کے اسٹاف کے لئے بھی دو (2) ٹریڈنگ منعقد کروائے۔ علاوہ ازیں! شریعیہ کپلائنس ریویو کے دوران ہر اسلامک بینکنگ برانچ میں گروپ ڈسکشن کا بھی اہتمام کیا گیا۔

شریہ کپلائنس ڈیپارٹمنٹ کے سٹاف نے مختلف اسلامک بینکنگ برانچوں کا دورہ کیا، تاکہ برانچز میں تعینات سٹاف کی معلومات اور کسٹمر کے ساتھ ان کے باہمی تعامل کے بارے میں جانکاری ہو سکے۔ یہ بات نوٹ کی گئی تھی کہ اسلامک بینکنگ اور شریہ کپلائنس کے حوالے سے برانچ کے زیادہ تر سٹاف کی معلومات تسلی بخش تھی۔ علاوہ ازیں، کسٹمر کے اطمینان کی پیمائش کے لئے سٹاف کا کسٹمر کے ساتھ باہمی تعامل کا مشاہدہ کیا گیا، جو کہ تسلی بخش تھا۔

نتائج:

بینک کے بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کے فرائض منصبی میں یہ بات شامل ہے کہ وہ زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے معاملات کو ہمہ وقت شرعی اصولوں کے مطابق یقینی بنائے، تاہم اس سلسلہ میں بحیثیت شریہ بورڈ ممبرز ہماری یہ ذمہ داری ہے کہ ہم زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے مجموعی شریہ کپلائنس ماحول کے بارے میں رپورٹ دیں۔ ہماری اس رپورٹ کی بنیاد شریہ کپلائنس ڈیپارٹمنٹ اور شریہ آڈٹ یونٹ کی رپورٹس ہیں۔ انٹرنل شریہ آڈٹ اور انٹرنل شریہ کپلائنس ریویو کے تمام رپورٹس کو چیک کیا گیا / جائزہ لیا گیا۔

ان تمام صورتوں اور ہماری ذاتی علم کے بنیاد پر سال 2022ء کے بارے میں ہماری رائے یہ ہے کہ:

1. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری شرعی اصولوں اور قواعد و ضوابط اور شریہ بورڈ سے جاری کردہ احکامات، فیصلوں اور ہدایات کے موافق ہے۔
2. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری نے اسٹیٹ بینک آف پاکستان کے جاری کردہ شرعی معاملات سے متعلقہ اصولوں، ہدایات اور احکامات کا مکمل نفاذ کیا ہے جو کہ اسٹیٹ بینک آف پاکستان کے شریہ ایڈوائزرز کمیٹی کے فتویٰ کے مطابق ہیں۔
3. زرعی ترقیاتی بینک کا شعبہ اسلامی بینکاری کے پاس شرعی نظام کو عملی میدان میں نافذ کرنے کے لئے ایک منظم اور مربوط نظام موجود ہے۔ یہ نظام انٹرنل شریہ آڈٹ یونٹ، شریہ کپلائنس ڈیپارٹمنٹ، بینک کے اندر کل وقتی شریہ بورڈ ممبر اور اسلامی بینکاری کے عملے کی ٹریننگ (جو اسٹیٹ بینک آف پاکستان کے شریہ گورننس فریم ورک کے عین مطابق ہے) پر مشتمل ہے۔
4. زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کے تحت شریہ آڈٹ اور شریہ کپلائنس ریویو کی صورت میں ایک شفاف نظام موجود ہے جو اتنا فعال اور موثر ہے کہ اس کی بنیاد پر یہ یقین دہانی کرائی جاسکتی ہے کہ اگر کسی بھی ذریعہ یا طریقہ سے اسلامی بینکاری کے شعبہ میں ایسی آمدنی / منافع شامل ہو جائے جو شرعاً حلال نہیں، تو فوری طور پر ایسی آمدنی کو خیراتی فنڈ میں منتقل کیا جائے گا اور منظم طریقہ سے اس کے مصارف میں اسے خرچ کیا جائے گا۔
5. نفع اور نقصان کی تقسیم اور پول مینجمنٹ کے حوالے سے اسٹیٹ بینک آف پاکستان کی جو ہدایات ہیں، زرعی ترقیاتی بینک کا اسلامک بینکنگ ڈویژن ان تمام ہدایات پر عمل پیرا ہے۔
6. مجموعی طور پر بینک کے عملہ و انتظامیہ کا اسلامی بینکاری کی بنیادی معلومات اور اس کے متعلقہ حساسیت کے حوالے سے آگاہی کا درجہ قابل اطمینان ہے۔ یہ بات حوصلہ افزا ہے کہ بینک کے ٹریننگ کے شعبہ نے ہماری (شریہ بورڈ کی) مشورت سے اسلامک بینکنگ کے برانچوں میں تعینات تقریباً تمام عملے کو ٹریننگ دی۔
7. شریہ بورڈ کو اپنی ذمہ داریاں موثر طریقے سے سرانجام دینے کے لئے مناسب وسائل کار فرماہم کئے گئے ہیں۔

8. سفارشات:

شریہ بورڈ نے سال 2023ء کے لئے کنورژن پلان منظور کیا ہے، اور یہی کنورژن پلان اسٹیٹ بینک آف پاکستان کو بھی جمع کرایا گیا ہے، اسٹیٹ بینک آف پاکستان نے سال 2023ء کے لئے 20 برانچوں کی اسلامک بینکنگ میں کنورژن (تبدیلی) کی منظوری دی ہے، اس لئے شریہ بورڈ اس بات کی سفارش کرتا ہے کہ کنورژن (تبدیلی)



کے عمل کو اسٹیٹ بینک آف پاکستان کے دیئے گئے مقررہ مدت میں مکمل کر لیا جائے۔ مزید برآں یہ کہ اس بات کی بھی سفارش کی جاتی ہے کہ اسلامک بینکنگ کے نیٹ ورک کو بڑھانے کے لئے ہر سال کنورژن (تبدیلی) کے عمل کو بروئے کار لانا چاہئے۔

اور آخر میں ہم اللہ تعالیٰ سے دعا گو ہے کہ وہ ہمیں دو جہانوں میں کامیابی سے نوازے، اور قدم قدم پر ہماری مدد فرمائے اور ہمیں مشکلات اور روکاوٹوں سے اپنی حفظ و امان میں رکھے۔ اور زرعی ترقیاتی بینک کے شعبہ اسلامی بینکاری کو مالیاتی ترقی سے ہمکنار فرمائے۔

آمین

OPERATIONAL PERFORMANCE



OPERATIONAL PERFORMANCE

Prime objective of the Bank is to focus on providing lending services to rural populace especially to small farmers whose income is very low. ZTBL has been striving hard to take initiatives/steps in introduction of innovative products/schemes, which may help small farming community of the country including AJ&K and Gilgit-Baltistan to overcome their financial constraints and also mitigate the poverty.

In line with its objectives and goals, the Bank carried out various initiatives/steps in credit side in the calendar year 2022. Few of them are given below:

1. ZTBL Zarai Baithak:

Zarai Baithak is a groundbreaking initiative launched by the Bank to support the agriculture sector of the country, through its wide network of more than 500 branches across the country. The Bank is committed to empowering farmers by disseminating the latest research-based agricultural technologies and providing them with access to financial products.

This initiative was driven by the directives of the Board of Directors (BOD) of ZTBL, in its 99th meeting held on February 20-21, 2022 which aims to bridge the gap between farmers and agricultural research institutes.

In this regard, the Bank has collaborated with various Agriculture research institutes and universities of the country like University of Agriculture Faisalabad and Pakistan Agriculture Research Council (PARC) to facilitate the smooth implementation of this initiative.

Objectives of ZTBL Zarai Baithak

The primary objective of organizing the Zarai Baithaks is to provide a platform for farmers to learn about modern agricultural practices, exchange knowledge and receive technical guidance. It aims to bridge the gap between farmers and agricultural experts, facilitating the transfer of information and expertise to improve farming practices.

How Zarai Baithaks Works?

The idea behind Zarai Baithak is to provide a platform where farmers can interact with agriculture experts from leading agricultural research institutes, including PMAS-Arid Agriculture University Rawalpindi, University of Agriculture Faisalabad and Pakistan Agriculture Research Council (PARC) and get solutions of their various concerns directly from experts.



Concept of Zarai Baithak is based upon rural social norms. In many rural villages, community and social interactions are highly valued and people often come together to spend their time with one another. Sitting together in these gatherings provides an opportunity for people to engage in conversations, share news, discuss community matters and build social connections.



During the session, farmers discuss their difficulties related to crop diseases, pests, soil fertility, climate change, environmental problems water management, and experts provide advice and solutions based on the latest research and technology. Farmers can also learn about new crop varieties climate smart agriculture, biological control of pests, diseases, crop residue management and effective utilization farm machinery.



.Apart from providing technical assistance, Zarai Baithak also aims to creating awareness among farmers about the bank's financial products. For this purpose, ZTBL representatives are present in each session where they educate farmers about the various financial products being offered by the bank, including agricultural loans, crop insurance and livestock financing.

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Benefits of Zarai Baithak

Zarai Baithaks has several benefits for farmers including:

- Access to Expert Advice:** Farmers can interact with experts from leading agricultural research institutions and get practical solutions of their problems.
- Adoption of Modern Farming Techniques:** Farmers can learn about the latest agricultural technologies and practices and adopt them to increase their productivity and improve the quality of their crops.
- Increased Awareness:** Farmers can increase their awareness of market trends and demand for their crops, which can help them in decisions making about their farming operations.
- Financial Inclusion:** To this initiative Farming community would also gain knowledge regarding Banking facilities, financial products and easy access of credit being offered by the Bank in an easy and sustainable way.

ZTBL's commitment to the agriculture sector of Pakistan is reflected in its efforts to create meaningful and sustainable impact through initiatives like Zarai Baithak. The initiative is a step towards creating a sustainable agriculture sector in Pakistan that can contribute to the country's economic growth and development. It is worth to mention here that the Bank has successfully conducted 31 Baithaks at various locations in the country.

2. Signing MOUs with Academia, Research Institutes & Others

Under the visionary guidance of the Board of Directors, Zarai Taraqiati Bank Limited (ZTBL) acknowledged the importance of building strong linkages with various stakeholders. In a significant development, ZTBL took proactive measures to establish these linkages by signing Memorandums of Understanding (MoUs) with key entities.

To strengthen its ties with academia, ZTBL signed MoUs with renowned educational institutions/academia such as the University of Agriculture, Faisalabad (UAF) and the Pir Mehr Ali Shah- Arid Agriculture University, Rawalpindi (PMAS AAUR).



These collaborations aim to foster knowledge exchange, research collaboration and joint initiatives in the agricultural sector. By partnering with these esteemed universities, ZTBL can tap into their



expertise, access cutting-edge research and enhance its services to meet the needs of farmers and rural communities.

These collaborations will allow Bank to take benefit from academic research, and expertise in promoting sustainable agriculture practices. It further strengthens ZTBL's commitment to environmentally conscious and socially responsible approaches in the agricultural sector.

The Bank has also planned to sign MOUs with Pakistan Agriculture Research Council (PARC), a premier agricultural research institution and Sustainable Development Policy Institute (SDPI), a leading think tank focused on sustainable development and policy advocacy in near future.

3. New Products or Lending Schemes

i. Financing Product for Packing and Small Godowns Facility to the Farmers

In order to facilitate the farmers/growers to keep & safe their produce after having proper packing of the same in their built in Godowns/small warehouses, the Bank has decided to include the subject facility under the scheme to meet the present needs of farmers/growers across the country. Maximum loan limit under the captioned scheme is up to Rs. 5 million per borrower/party. The Bank has successfully accommodated 4,159 borrowers and disbursed an amount of Rs. 1,319 million during the year 2022.

ii. Financing Product on Horticulture “Production of Flowers (Potted & Ornamental Flowers)”

Pakistani farmers related to floriculture/flower business can get better earnings from floriculture sector as favorable climate of the country provides added benefits. Hence, the Bank decided to include the potted & ornamental flowers as loanable product under the scheme. Maximum loan limit under the scheme is up to Rs.5 million per borrower/party. This scheme is applicable across the country. The Bank has successfully disbursed an amount of Rs.179 million to 589 borrowers during the period under review.

iii. Financing Product on Golden/Misri Chicken Poultry Farming (Egg & Meat Production)

\Golden/Misery Chicken Poultry Farming possesses bright prospects for future development in view of easy and abundant availability of all the requisite inputs such as land, labor and feed resources in rural areas and lower cost of production as compared to commercial poultry.

Keeping in view the above, the Bank has introduced the titled scheme. The maximum loan limit under the scheme is up to Rs.5 million per borrower/party. The scheme is applicable across the country. The Bank has successfully disbursed an amount of Rs.86 million to 277 borrowers during the period under review.

iv. Financing Product for Black Australorp Chicken Farming (Egg & Meat Production)

Australorp Black hen in Pakistan is a highly demanded breed in the poultry sector because of its tremendous and record-breaking potential of laying eggs, heavy-weight to suffice good demand for chicken meat and for easy buildup under the same conditions as for other local breeds. ZTBL has initiated special drive to support their farmers in Australorp farming which will include purposes of fertile eggs, Australorp day-old chicks, Australorp roosters and Australorp hens. The maximum loan limit under the scheme is up to Rs. 5 million per borrower/party. The scheme is applicable across the country. It is important to mention here that the Bank has positively disbursed an amount of Rs.30 million to 108 borrowers during the year 2022.

v. Financing Product for Biofloc Fish Farming (Green Banking Product)

Biofloc fish farming is one of the successful and most profitable businesses in Pakistan, Through this product Pakistan not only fulfils its personal requirements of the consumption of fish species but also may become able to fulfill the orders from beyond the borders. The conventional fish farming is quite expensive and unproductive in contrast to the Biofloc fish farming. Biofloc Fish Farming Technology is an environment-friendly technique, used for the production of fish. Maximum Loan limit per borrower/party is up to Rs. 5.00 million. The scheme is applicable across the country. Under the Scheme, the Bank has facilitated 43 borrowers by advancing an amount of Rs. 17 million.

vi. Financing Product for Agri. Machinery (Rice/Wheat Straw Baling Machine & Mini Rotavator (Walking Tractor))

In order to help the farmers of the country, ZTBL provides financing facility for following agri. machinery items to enhance productivity and adoption of best agricultural practices through mechanized farming: -

a. Rice/Wheat Straw Baling Machine

To bring about mechanization in post-harvest farming practices Wheat/Rice straw baler is proven best in straw collection and recycling. Paddy straw baler is connected to the tractor, it gathers straw and by means of hydraulic mechanism ejects the completed bales through a tailgate. The machine clears the soil for next crop, preserves the nutrients of the soil and provides income to the farmer.

b. Mini Rotavator (Walking Tractor)

Mini-Rotavator is a light-weight and compact machinery suitable to maintain and prepare small gardens. It is very suitable for soil conditioning, weed control, seedbed preparation and puddling in small fields.

The maximum loan limit under the scheme is up to Rs. 2.5 million per borrower/party. The Bank has successfully disbursed an amount of Rs.22 million to 18 borrowers under this scheme in the year 2022.

vii. Financing Product for Rice Transplanter

Rice is one of the five major crops of the country and considered as s staple food. Its cultivation is a tedious, laborious and time taking process. Mechanization practices in Rice cultivation can save the time and Farmer's production cost.

For this purpose, Rice Trans planter is simple, easy and opening the door to a new dimension of rice transplanting & professional agricultural excellence. Rice Trans planter is 20 times more efficient than manual transplanting. ZTBL has arranged financing options for its potential customers through approved and registered dealers of said technology. The maximum loan limit under the scheme is up to Rs. 5.000 million per borrower/party.

viii. Financing for Apiculture (Bee Keeping) as Green Banking Product:

Apiculture/Beekeeping is a green banking product as Bees play a very important role in maintaining biodiversity, ecosystem and the natural networking balance for the survival of life. The decrease in quantity of honeybees results in food insecurity “No Honey Bees, No Food, No Future”. Keeping in view the Bank has launched this scheme all across the country with maximum loan limit is up to Rs.2.5 million per borrower/party. The Bank has successfully disbursed an amount of Rs.3 million to 3 borrowers under this scheme.

4. Revision of Maximum Per Borrower/Party Credit Limit up to Rs. 5.000 Million

Board of Directors in its 96th Meeting held on December 01, 2021 at Karachi on the recommendation/endorsement of Board Business Development and Review Committee (BD&RC) (successor of Product Development & Marketing Committee) in its 3rd meeting held on September 09, 2021, approved revision of maximum per CNIC/per borrower/party credit limit to Rs. 5.000 million per CNIC per party/borrower from existing limit.

Applicability of above approved limits to the extent of Rs. 1.200 million in production loans and up to Rs. 2.500 million in development loans for schemes/products already launched by Credit Division prior to constitution of BOD in April, 2021 and fixation of above approved limits to the extent of Rs. 1.200 million in production loans and up to Rs. 5.000 million for new schemes/products, approved by the BOD after its constitution, was approved by the Board of Directors in its 99th meeting held on 21.02.2022 to 22.02.2022, on the recommendation/endorsement of Board Risk Management Committee its 37th meeting held on 15.12.2021.

5. Revision of Maximum Per Borrower/Party Credit Limit

Board of Directors in its 99th Meeting held on February 21-22, 2022 has approved the revision of maximum per borrower/party credit limit for new/fresh borrowers as under:

- Maximum Credit Limit for Short Term Production Loans is Rs. 1.200 million
- Total Maximum Credit Limit (Production plus Development Loans) is Rs. 2.500 million
- Process flow for loan sanctioning as per the revised limits will be as follows:
- For loan cases up to Rs. 1.500 million (production + development loans):
Branch → CAD Hub → CLSD
- For loan cases beyond Rs. 1.500 million to Rs. 2.500 million:
Branch → Zonal Chief → CAD Hub → CLSD

6. Revision of Per Acre Credit Limits of Inputs for Different Crops/Vegetables/Orchards/Forestry

Consequent upon enhancement of per acre limits fixed for major/minor crops, orchards and forestry by SBP to enable the farming community to use required quantity and quality agri. inputs, it has been decided by the Bank to revise the existing per acre credit limits of following various major/minor crops, vegetables, orchards and forestry with following decisions:

- i. New borrowers will take the benefit of revised per acre credit limit.
- ii. Borrowers who have been regular for one year will take the benefit of revised per acre credit limit.
- iii. NPLs & SAM borrowers are eligible for loans up to extent of principal recovered from them.
- iv. NPLs & SAM borrowers will become eligible for revised per acre credit limit only after repayment of previous loans with up to date mark-up and will have been regular for one year.

7. Adoption of Digitalized Land Record System for Agri. Financing

Consequent upon the collaboration of the Bank with Punjab Land Record Authority (PLRA) of Government of Punjab, the Bank has been generating online revenue documents/charge creation in the Punjab Province as per advice and guidance of SBP.

This Project was initiated in Nov-2019 in 5 pilot branches of ZTBL (i.e. Madrasa, Yazman, Gujranwala, Sahiwal, & Multan). Now the bank has successfully launched the CLRMIS (Computerized Land Revenue Information System) of PLRA (CLRMIS – PLRA) Project in all branches under Punjab Province. Necessary hardware and trainings to the master trainers of each zone (18) have also been provided with PLRA collaboration. Branches are now performing the following operations using CLRMIS – PLRA:

- a. Access to Fard, Mutation Verification
- b. Access to Generation of Fard for Loan
- c. Access to Generation of Fard for EC (Encumbrance Certificate) & NEC Non Encumbrance Certificate
- d. Access to the Entry of the Mutation of Loan (Arr-rehan) – آڑرہن
- e. Access to the Fuk-Arrehan (Redemption) – کف آڑرہن
- f. Access to the Additional Mortgage (Azadi Arr Rehan) – ایزادی آڑرہن

8. Lending against e-Pass Book Across Punjab Province

As the land record has almost been digitized in Punjab province under Punjab Land Record Authority (PLRA), hence, manual fard generation is almost obsolete now. For the ease of customers as well as branches, it has been decided that lending against e-Pass Book against all schemes/products and general lending can be done from now as per normal practice in the province of Punjab. In remaining no-computerized Mouzas, the acceptance of manual Pass Books/Fard Jamabandi will continue as per practice in vogue till complete computerization.

9. Mandatory Registration of Mobile SIMs of Borrowers/Depositors against their Names/CNICs

The Management Committee in its 10th meeting held on 07.04.2022 and subsequent decisions made in 13th meeting held on 25.04.2022 has directed to instruct the Zonal Chiefs to make following announcements in the Village Mosques for strict compliance:

- From 1st July, 2022, loans will only be issued to those farmers whose Mobile SIMs have been issued as per their CNICs registered in NADRA.
- Further, the existing loanees are hereby informed that opportunity has been given to provide their Mobile Numbers registered in their names to their nearest branch by 30th June, 2022 otherwise bank will have a right to call back loan facility.

10. Retrieval of Electronic copy Credit Worthiness Report (CWR) from SBP e-CIB:

In order to facilitate field staff to process loans and provide related services at customer's doorstep, a specially designed mobile application, installed on MOBILE TABLET, is being launched. It has been planned that MOBILE TABLET facility will be provided to every Mobile Credit Officer (MCO) who, while processing loan application, will be enabled to download e-CIB (CWR) Reports of borrowers on spot. The report may be extracted for one time only before the entertainment of loan case of the borrower.

1. AGRICULTURAL LOAN DISBURSEMENTS

With the objective to provide sustainable rural finance and services particularly to small farmers and low income houses, the Bank made disbursement of loans amounting to Rs. 69,631.277 million to 213,138 borrowers during the year 2022 against annual lending target of Rs. 90,000 million with the pace of 77%.

The Bank disburses credit in two main categories of **Production and Development Loans**. Production loans are disbursed for farm inputs like seeds, fertilizer, pesticides, labor higher and working capital to improve dairy, livestock, poultry and fisheries. During the period under review the Bank advanced an amount of Rs. 36,612.700 million to 116,439 borrowers for production loans, representing a share of 53% of total general Credit Disbursement.

While Development Loans are provided for establishment of dairy farm house, poultry, fisheries, goat farming and livestock farming. In additions, these loans are also provided to carry out irrigation requirements, orchards, nurseries, green houses and forestry etc. During the year 2022, the Bank advanced an amount of Rs. 33,018.577 million to 96,699 borrowers with the share of 47%.

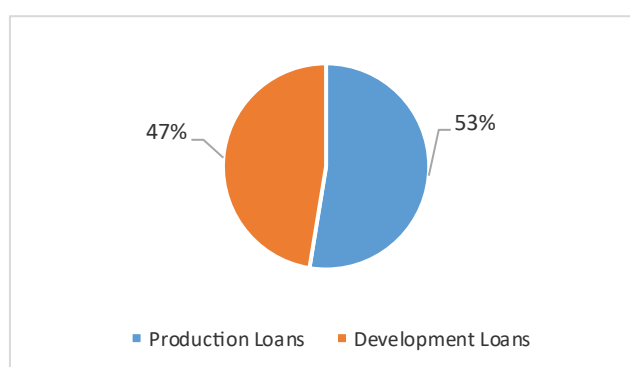


Figure 1 Share of Production and Development loans

1.1. Province-wise Agri. Credit Disbursement

The pattern of disbursement in provinces is almost proportionate to the agriculture potential of respective provinces/areas. The province wise share of disbursement depicts that Punjab has largest share followed by Sindh and Khyber Pakhtunkhwa as shown in table below:

Province	2022	2021	Inc/Dec	Growth
Punjab	59,684	58,182	1,502	3
Sindh	5,554	6,402	-848	-13
KPK	3,027	3,072	-45	-1
Baluchistan	281	262	19	7
AJK	196	254	-58	-23
GB	889	991	-102	-10
Pakistan	69,631	69,162	469	1

AK= Azad Kashmir GB= Gilgit Baltistan

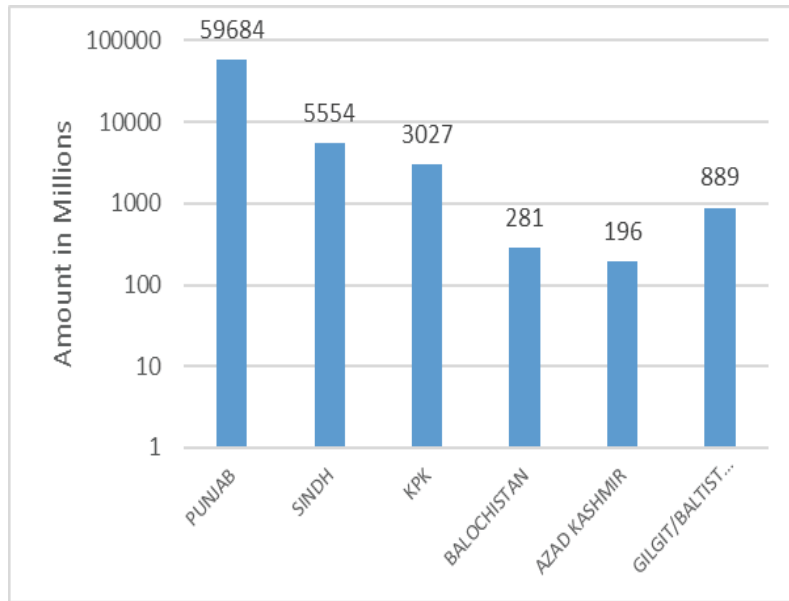


Figure 2 Province Wise Credit Disbursement, 2022

1.2. Term-wise Disbursement of Loans

The Bank provides loans on short, medium and long term basis. Short term loans are basically production loans with maturity period up to 18 months. Medium and long term loans are advanced for development purposes, which are recoverable within 5 and 8 years, respectively. The breakup of term-wise loan amounts disbursed during the year 2022 is shown as below in the figure 3.

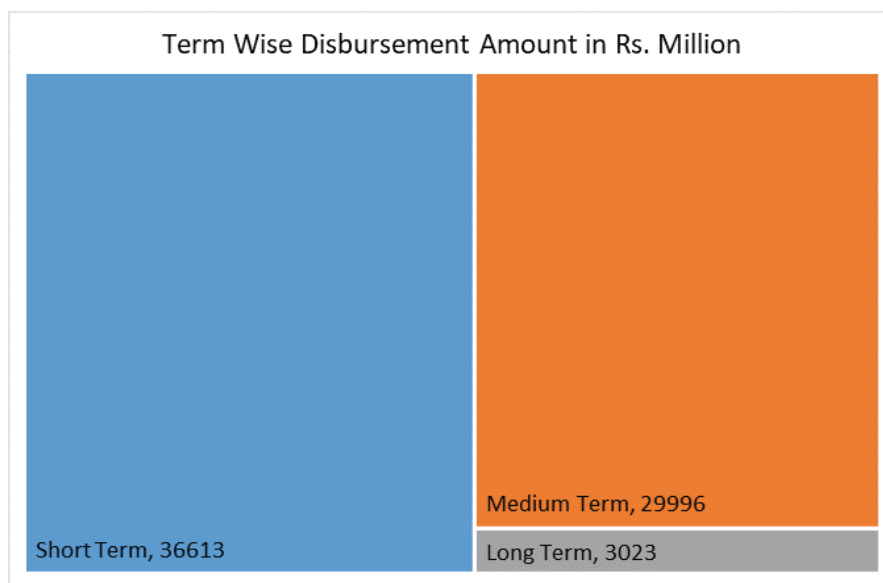


Figure 3. Term Wise Disbursement

1.3. Security-wise Disbursement of Loans

Security-wise disbursement of loans indicates that 99% of loans were secured against pledge/ mortgage of tangible securities. Moreover, the Bank also disburses credit against personal and hypothecation as shown in the chart below in figure 4.

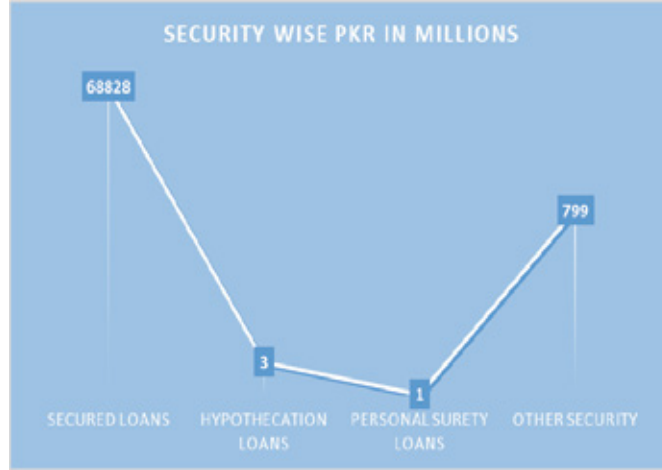


Figure 4 Security Wise Credit Disbursement

1.4. Land holding-wise Disbursement of Loans

Land holding-wise disbursement is illustrated below in figure 5. It is pertinent to mention here that small farmers having land up to 12.5 acres received an amount of Rs. 59,008 million during the year 2022.

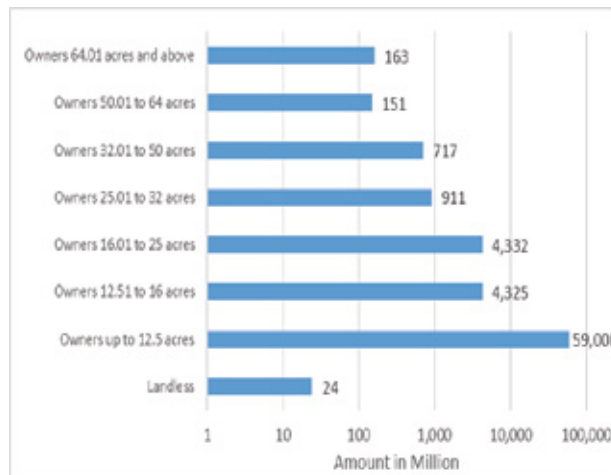


Figure 5. Holding Wise Disbursement

5. Loan Size Wise

In terms of loan amount or size, then it was found that most of cases were funded under size of Rs. 0.5 million to Rs. 1.0 million as shown in the figure 6.

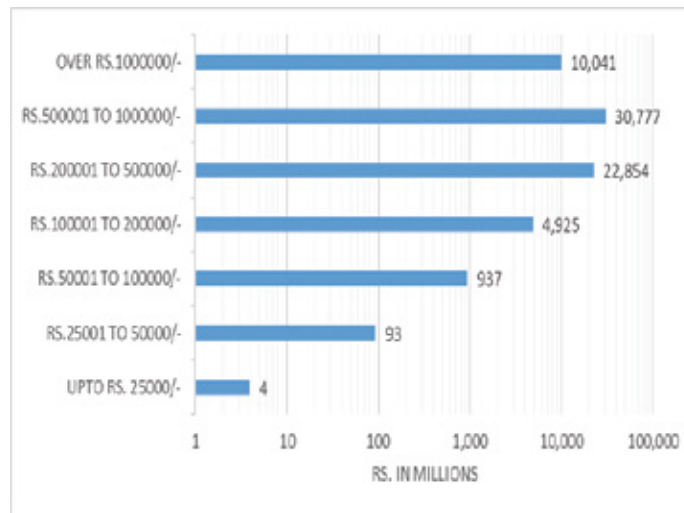


Figure 6. Loan Size Wise Disbursement

1.6. Scheme-wise Disbursement of Loans

The loan schemes generally fall under two broad categories namely production and development loans.

1.6.1 Disbursement under Production credit schemes

The Bank caters the need for all input loans such as seeds, fertilizers, pesticides etc. through its various products against acceptable securities to the Bank. Brief detail of schemes is given below:

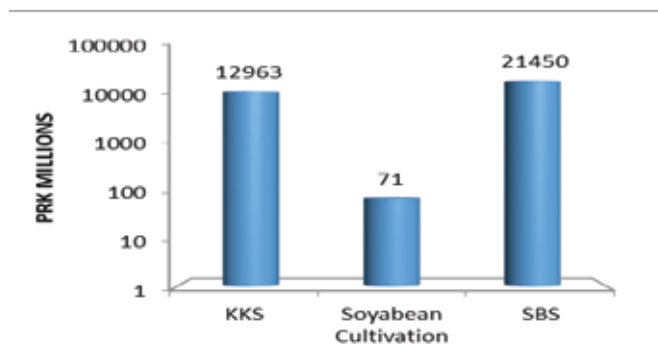


Figure 7 Disbursement under Production Credit Schemes

a. Kissan Khushal Scheme

This scheme was launched to facilitate farming community through easy access towards credit with the facility of one-time documentation for three years' period with one year clean up, withdrawal of loan amount as per their credit need and deposit the same as and when funds are available with them. The chief objective of the scheme is to adequate & timely financial support to the farmers for their input & working capital credit needs in a more flexible and cost effective manner with the facility of multiple operations of withdrawal of limit and repayment of loan. Maximum loan limit under the scheme is Rs. 1.2 million per borrower under the scheme. During the period of 2022, the Bank disbursed an amount of Rs.12,963 million to 47,062 borrowers.

b. Sada Bahar Scheme (SBS)

The scheme primarily caters the financing requirements of its clientele for working capital as well as input needs like seeds, fertilizer, pesticides/insecticides, petrol/oil/lubricant (POL) and labor charges etc. of farmers in one-time documentation for the period of three years. Credit limit is valid for three years with one-time docu-

mentation. The Bank disbursed an amount of Rs.21,450 million to 92,935 number of borrowers during the year 2022.

c. Financing Scheme for Soybean Plantation as Green Banking Product

Soybean is a short duration crop and is considered as important oil seed crop in the whole world. This crop restores soil fertility and health for the next exhaustive crop. In order to increase edible oil production in the country the Bank has introduced this scheme across the country as Green Banking Product. Maximum loan Limit under the scheme is up to Rs.1.2 million per borrower/party. During the year 2022, the Bank disbursed an amount of Rs. 71 million with 379 borrowers.

1.6.2. Disbursement under Development Credit Schemes

The Bank advances medium and long term loans for tractors, poultry, dairy, fishery, livestock, land development, forestry under development schemes. The Bank is disbursing development loans under various categories/schemes, few schemes are illustrated as below:

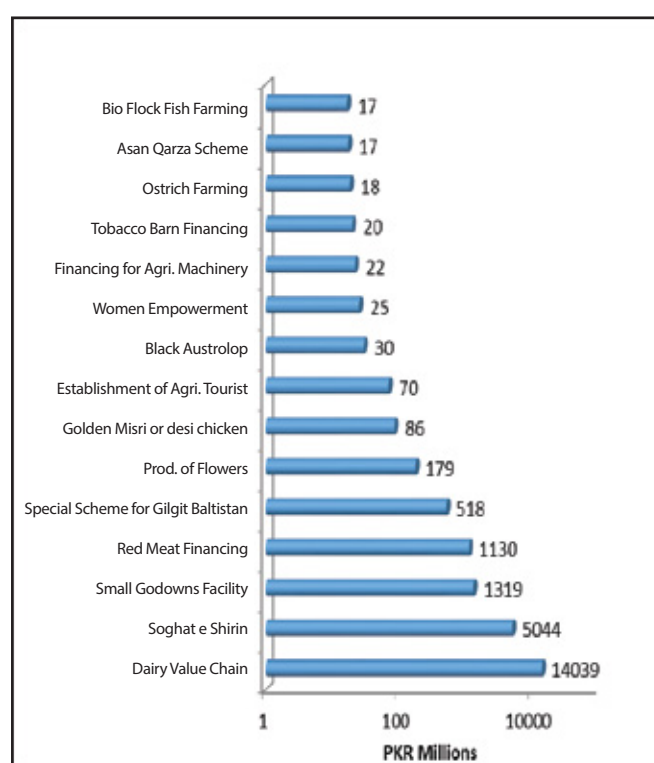


Figure 8. Disbursement under Development Schemes

a) Soghat-e-Shireen (Scheme for Gurr Making)

The scheme is applicable in sugarcane growing areas of the country for Gurr making as value addition, where no restriction is imposed by Federal and Provincial Governments. During the year 2022, the Bank disbursed an amount of Rs.5,044 million to 16,280 number of borrowers under this scheme. The maximum loan limit under the scheme is up to Rs 0.50 million per borrower/party.

b) Financing Scheme for Dairy Value Chain

Dairy milk is reported to be most widely used nutrient dense food for complementary and young child feeding. In order to facilitate the farmers, Bank has launched the captioned scheme. Maximum Financing Limit under the scheme is up to Rs. 2.50 million per borrower/party. the Bank disbursed an amount of Rs.14,039 million among

33,022 borrowers under the captioned scheme.

c) Asan Qarza Scheme

Youth are the major segment of rural population in the country. Asan Qarza scheme was launched by the Bank to support youth through financing agri. business under variety of agro-based activities. An amount of Rs. 17 million was financed to 128 number of borrowers, in the year 2022. The maximum loan limit under the scheme is up to Rs.0.500 million per borrower/party.

d) Ostrich Farming

The Bank served 85 number of borrowers by financing an amount of Rs.18 million under the captioned scheme. Maximum loan limit under the scheme is Rs. 2.5 million per borrower/party.

e) Red Meat Financing Package for Goat/Sheep

This financing package is currently being implemented in Multan, Faisalabad, D.G. Khan, D.I. Khan, Bhakkar, Shaheed Benazir Abad (Nawabshah), Dadu, Sukkur, Peshawar, Lasbella, Loralai, and Khuzdar. During the year 2022, the Bank accommodated 2,471 number of borrowers with an amount of Rs.1130 million under the scheme. The maximum loan limit under the scheme is up to Rs.2.50 million per borrower/party.

f) Special Schemes for Gilgit-Baltistan

The Bank financed an amount of Rs.518 million to 991 number of borrowers under this special scheme of Gilgit-Baltistan area in the year 2022. The said scheme was launched by the Bank to facilitate farmers for Fish Farming, Yak Farming, Sea buckthorn cultivation and Hybrid Poplar in the vicinity of Gilgit-Baltistan. Brief features of the scheme are given below in table. Maximum loan limit under the scheme is Rs. 2.5 million per borrower/party.

Loanable Products & their maximum loan limit million per borrower/party.

Trout Farming: Maximum limit of the loan is Rs.1.500

Yak Farming:

- The loan limit is Rs.1,25,000/- per animal.
- For Calf of Yak loan limit is Rs.40,000/- per animal.
- Working capital amount is Rs.10,000/- per animal.
- **Sea-buck Thorn Cultivation:** Loan limit is Rs. 52,000/- per acre.
- **Hybrid Poplar:** Loan limit is Rs.15,000/- per acre.

g) Khawateen Rozgar Scheme

To empower the rural women, the Bank facilitated 25 number of women through financing an amount of Rs.3 million. The maximum loan limit per borrower/party for secured loan is Rs.0.50 million.

h) Financing for “Establishment of Agri. Tourist Outlet/Orchard”

The Bank is providing loans for “Establishment of Agri. Tourist/orchard in the vicinity of Gilgit Baltistan to facilitate farming community in such a way that the local farmers could fetch maximum benefit of their agriculture produce. Through this scheme, agriculture and tourism will not only be promoted but it also enhances farmers’ income by utilizing benefits of Agri. tourist/orchard, where tourist could visit, stay, enjoy and purchase agri. Produce of farmers in real time environment. Maximum Financing Limit under the Scheme is up to Rs. 2.50 million per borrower/party. It is worthy to mention here that 106 number of farmers have been facilitated by utilizing an amount of Rs. 70 million in the year 2022.

i) Tobacco Barn Financing Scheme

The scheme was introduced with the objective to facilitate the tobacco growers to get suitable price of their

tobacco produce by value addition by setting-up Tobacco Barns. The maximum loan limit under the scheme is up to Rs.1.00 million per borrower/party. Under the scheme, the Bank financed an amount of Rs.20 million to 85 borrowers in the year 2022.

2. RECOVERY OPERATIONS

The Bank has recovered an amount of Rs.79,750 million against the total recoverable amount of Rs 96,731.197. million with recovery rate of 82%. Province detail of Recovery of loans are given below

Province	2022	2021	Growth	
			Amount	%Age
Punjab	69,070	70,618	(1,548)	-2.2
Sindh	6,127	8,633	(2,507)	-29.0
KP	3,406	3,383	23	0.7
Baluchistan	230	260	(30)	-11.7
AK*	313	325	(12)	-3.6
GB**	605	458	147	32.1
Pakistan	79,750	83,677	(3,927)	-4.7
* Azad Kashmir		** Gilgit Baltistan		

Figure 9 Province Wise Recovery Position

3. OPERATIONS AND BUSINESS OUTREACH

The Bank has carried out various steps and made utmost efforts to ameliorate the working of the Operations in line with the directives of the SBP. Brief detail of initiatives carried out to streamline its operations is given as under:

The Bank contacted its valuable customers and invited them to visit branch for biometric verification and now verification of 99.4% & 97% of regular borrowers and classified borrowers have been completed respectively at the end of the calendar year 2022. Similarly, biometric verification of high and medium depository accounts has also been achieved at 99.9%.

Ancillary Banking Facilities

1. Home Remittance:

The Bank is continuously offering Home Remittance facility through cash over counter, however after the implementation of Home Remittance system ZTBL will be able to cater all types of transactions. A Home Remittance system shall be implemented in ZTBL, which shall have the capability to offer many modes of Home Remittance payments, including Freelance, B2C & C2B payments etc.

Locally arrangement with banks in Pakistan is in progress. In parallel, get in touch with the Money Transfer Companies abroad for the arrangement of remittance business under the guidance of PRI, (PAKISTAN REMIT TANCE INITIATIVE).

Total number of 22,798 transactions have been executed against Target of 43,000 transactions along with the inflow of USD 3.57 million through direct Foreign Tie-up and Rupees 723.07 million through local arrangement as sub-agent as of 31.12.2022.

Utility Bills Collection

The Bank has successfully collected 2.234 million utility bills and achieved 97% success against its target of

collection of 2.31 million bills in the year 2022.

Collection of Hajj Applications

During Hajj-2022, ZTBL has collected 1300 applications with token money of Rs 50,000 i.e. total amount collected PKR 65 million. In the Hajj ballot total No. of 738 applicants has declared successful from ZTBL, 58 applicants were not willing to performed hajj. Total 680 applicants have deposited the Hajj dues i.e. total hajj dues collected Rs. 560.109 (Million).

Locker Facility

ZTBL is offering locker facility in the branches to Enhance income based services and grow brand image. Total lockers available are 2448 and 1252 are occupied (51%).

Call Deposit Receipts (CDR)

Call Deposit Receipt is issued through customers' own account or to walk in customers to be submitted along with Bid/Tender documents as earnest money, which is mandatory requirement by all Government Organizations, autonomous bodies, NGOs etc. Further, CDRs may also be issued in individual own name. ZTBL have issued 857 CDRs amounting to Rs 0.43 billion on account of current deposit during the period under review.

4. HUMAN RESOURCE DEVELOPMENT

The Bank made arduous efforts for enhancing the capabilities and competencies of the existing human resource through various training programs, promotions and motivation.

- To motivate Bank employees for maximizing their efforts towards Bank's business the bonus for the year July to December 2021 amount ranging up to 03 times of "Bonus Benchmark" was paid to employees against allocated amount of Rs. 300 million. 10% of total bonus amount was paid as Special bonus to outstanding individuals on recommendations of the Recognition & Reward Committee of the Bank.
- To inculcate performance driven work culture in the Bank, based on the principles of "merit" and "paid for performance", the Performance management policy under SR 2005 was reviewed by the Board and introduced different Bell Curves for awarding annual merit increase against earned PAR scores in respect of employees fall under SR-2005 w.e.f 01.01.2020 and onwards.
- Existing rates of especial conveyance allowance admissible to disabled person employees of the Bank were enhanced from Rs. 1000/- to Rs. 3000/- per month w.e.f. 01-01-2022.
- Effective from 01.04.2022, Field Compensatory Allowance & Rs. 30,000/- Rs. 20,000/- Rs, 15,000/- and Rs. 10,000/- was granted to RGMs, Zonal Chiefs, Area Chiefs and Branch Managers where relevant branch was profit making, reduced loss. This allowance was paid for a period of 3 months.
- Job rotation policy and Performance Management Policy of the Bank was reviewed by the Board and it was decided that Field staff should not be posted in such branches from where they have already been transferred within one year. Further portfolio performance of an officer at his/her last 03 years' assignments will be made a part of his/her ACR, and will be among the factors to be considered in her posting etc.
- Effective from 01.07.2022 fixed monthly rates of house rent ceiling in lieu of house rent allowance for employees of the Bank governed under SSR 1961 posted at Islamabad and other specified stations were enhanced up to 100%.
- The Board while allowing 11% increase in pension to Bank's pensioners/family pensioners' w/e/f 01.01.2023 also approved an automatic annual increase in pension @ 5% w.e.f 01.07.2023 & onwards till the revision by the Board.
- Rates of existing gift items i.e. Shield, medal, Tafseer-ul-Quran and Bank cheques to retiring employees were enhanced.

Management Committees

By implementing the SBPs guidelines and Bank's requirements following Management Committees have been constituted:

- i. Management Committee (ManCom)
- ii. Compliance Committee of the Management (CCM)
- iii. Procurement Committee (PC)
- iv. Committee for Islamic Banking Expansion
- v. Assets Liabilities Committee (ALCO)
- vi. Medical Facilitation Committee (MFC)
- vii. Employees Grievance Handling Committee (EGHC)
- viii. IT Steering Committee (ITSC)
- ix. Internal Risk Management Committee (IRMC)
- x. Head Office Committee for Write-off losses
- xi. Head Office Services Committee
- xii. Quality Assurance Committee (QAC)
- xiii. Media Committee

5. ENTERPRISE RISK MANAGEMENT

During the years 2022, the bank carried out various initiatives in the risk management portfolio. Such as given below:

- Designed, Developed and digitized Operational Risk Management Framework (ORMF). Part – I
- Designed and Developed Composite Internal Credit Risk Framework (IRRF), IRR System (IRRS) and IRR Model (IRRM). Updated ORR parameters, included facility rating and environment rating.
- Developed Environmental Risk Management Framework (ERMF). Developed environmental risk rating mechanism integrated with internal risk rating mechanism.
- In compliance of SBP directions and to strengthen the integrity and reliability of the reported e-CIB data, Standard Operating Procedures (SOPs) for e-CIB data feeding, compilation, validation, and its reporting has been developed. Validated e-CIB data provided by e-CIB unit. (Till Dec 2022) before new RRM (Roles & Responsibility Matrix) introduced.
- Developed environmental due diligence checklists and shared with green banking unit for product wise environmental risk evaluation
- Develop Stress testing framework / model for ZTBL.
- Reporting under IFRS-9 standard and embedding this model within the MIS system of ZTBL for smooth functioning.
- Development of FIs ORR in consultation with treasury and its approval from BOD.

6. TRAINING & DEVELOPMENT

During the period under review, 3468 employees were imparted training against the target 2,600 employees in the areas of operations, credit, recovery, land revenue matters, audit, Islamic Banking, compliance, Risk Management, IT based banking operations, Fair Treatment of Customers/Customer Services, AML/CFT, TF Risk Assessment, Gender Sensitivity/Gender Equality Policy and Women Champions, Work Ethics/Behavior/Conduct & Customer Service Delivery etc.

Moreover, the Bank also arranged trainings in other institutions for the capacity building of employees in core areas. The summarized position against target for the year 2022 is as under:

Category	No. of courses Conducted	No. of Employees Attended	Target	Achievements
In-House	69	3,320	2,600	133%
In-Land	0	148		
Total	69	3,468	2,600	113%

Internship Program

Total 255 students were offered internships in different categories in different Divisions/Departments of ZTBL, the details are as under:

S.No.	Description of Internship	No. of Graduates/Post Graduates during the year 2022 as on 31.12.2022
1.	Paid Internship	39
2.	Un Paid Internship	216
Grand Total.		255

IQRA Quran Academy

The Bank has also facilitated the employees' children to learn Holy Quran by qualified teachers from ZTBL Quran Academy. As on 31st December, 2022; 04 children have completed the Nazra Quran. Presently, in ZTBL Quran Academy, 26 children are studying Nazra Quran and 04 children are memorizing/Hifz the Quran.

8. AUSTERITY MEASURES

The MCO Circles with low portfolio causing extra expenses and with high portfolio affecting efficiency/profitability of the Branch/Bank, 14 MCO Circles were rationalized (Merged) to curtail expenses and to increase profitability of the Bank during the quarter ended 31.12.2022.

Savings on Training Expenses

Rs. in Millions

Head-wise GL Heads	Year 2022 (1 st Jan to 31 st Dec-2022)		
	Budget Allocated	Expenses Incurred	Saving
Expenses Incurred on in-House Training	2.675	0.749	1.926
Expenses on training arranged for ZTBL employees in other Institutions like NIBAF, IBP, DWE ,PMI, ETC	4.500	4.433	0.067
Hotel Training & Travelling	27.500	0.774	26.726
ACCA & Specialized internship Program	1.600	0.779	0.821
Employees Education Improvement Program	0.560	0	0.560
Total	36.835	6.735	30.100

OPERATIONAL KEY INDICATORS

*(As of December 31, 2022)***Rs. In Millions**

Particular	
A. DISBURSEMENT	
1. Total Disbursement	69,631
a. Production Loans	36,612
b. Development Loans	33,019
2. Tractors Financed	
Number	698
Amount	740
3. Tube wells Financed	
Number	35
Amount	9
4. Loans to Subsistence Farmers	60,067
5. Share of Small Farmers (under 25 Acres)	97%
6. Number of Borrowers Served	213,138
RECOVERY OPERATIONS	
Total Amount Recovered	79,750
NETWORK OF OPERATIONS	
1. Number of Zones	31
2. Number of Branches	501
3. Number of MCOs	1,166



ZARAI TARAQIATI BANK LIMITED

Head office: 1, Faisal Avenue, P.o.Box No 1400 ISLAMABAD.

CORPORATE AFFAIRS DEPARTMENT

No. CAD/1(4)/AGM/17/2023/ 75

Dated: March 08, 2023

NOTICE OF 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of Zarai Taraqati Bank Limited will be held on Wednesday March 29, 2023 at 04:00 P.M. at ZTBL, Head Office, Islamabad, to transact the following business:

Ordinary Business:

1. To confirm minutes of Extra Ordinary General Meeting held on February 09, 2023
2. To receive, consider and adopt the audited unconsolidated financial statements of the Bank and consolidated financial statements of the group (ZTBL & KSSI) for the year ended December 31, 2022 together with Auditors' and Directors' reports thereon.
3. To appoint Auditors of the Bank for the year ending December 31, 2023 and fix their remuneration.

Any other Business:

To consider any other business with the permission of the Chair

By order of the Board

(TARIQ MAHMOOD TALIB)

Company Secretary
(051-9253087)

Registrar of Companies,
Company Registration Office,
Securities & Exchange Commission of Pakistan,
ISLAMABAD

Technology for Agriculture



Tel: +92 51 260 4461-5
 Fax: +92 51 260 4468
 www.bdo.com.pk

3rd Floor,
 Saeed Plaza,
 22-East Blue Area,
 Islamabad-44000,
 Pakistan.

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of ZARAI TARAQIATI BANK LIMITED ("the Bank") for the year ended December 31, 2022.

The responsibility for compliance with the Rules is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Rules require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Bank's compliance, in all material aspects, with the best practices contained in the Rules as applicable to the Bank for the year ended December 31, 2022.

ISLAMABAD

DATE: 07 MARCH 2023

UDIN: CR2022100941zhAoRm5i

Bdo ebrahim & co.
 CHARTERED ACCOUNTANTS
 Engagement Partner: Iffat Hussain
Iffat Hussain

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**STATEMENT OF COMPLIANCE WITH PUBLIC
SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

Name of Bank Zarai Taraqati Bank Limited
Name of the line ministry Finance Division, GoP
For the year ended December 31, 2022

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby the Bank is managed in compliance with the best practices of public sector governance.

II. The Bank has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N																		
			Tick the relevant box																			
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√																			
2	The Board has at least one-third of its total numbers as independent directors. At present the Board includes: <table border="1" data-bbox="263 1041 989 1668" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Directors</td> <td>1. Mr. Zaigham Mahmood Rizvi</td> <td>30.12.2020</td> </tr> <tr> <td>2. Syed Javed</td> <td>30.12.2020</td> </tr> <tr> <td>Executive Directors</td> <td>1. Mr. Asad Ullah Habib</td> <td>11.11.2022</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>1. Mr. Zafar Hasan</td> <td>14.06.2022</td> </tr> <tr> <td>2. Mr. Muhammad Aslam Ghauri</td> <td>07.10.2021</td> </tr> <tr> <td>3. Mr. Haaris Mahmood Chaudhary</td> <td>30.12.2020</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	1. Mr. Zaigham Mahmood Rizvi	30.12.2020	2. Syed Javed	30.12.2020	Executive Directors	1. Mr. Asad Ullah Habib	11.11.2022	Non-Executive Directors	1. Mr. Zafar Hasan	14.06.2022	2. Mr. Muhammad Aslam Ghauri	07.10.2021	3. Mr. Haaris Mahmood Chaudhary	30.12.2020	3(2)	√	
Category	Names	Date of appointment																				
Independent Directors	1. Mr. Zaigham Mahmood Rizvi	30.12.2020																				
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	2. Mr. Muhammad Aslam Ghauri	07.10.2021																				
	3. Mr. Haaris Mahmood Chaudhary	30.12.2020																				
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	√																			
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	√																			

5	The Chairman of the Board is working separately from the Chief Executive of the Bank.	4(1)		√
6	The Chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	√	
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the chief executive have been nominated by the Government)	5(2)	√	
8	(a) The Bank has prepared a “Code of Conduct” to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company’s website (www.ztbl.com.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√ √ √	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	√	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(iii)	√	
11	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Bank.	5(5)(b)(vi)	√	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	√	

13	The Board has ensured compliance with the law as well as Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	√	
14	The Board has developed a vision or mission statement and corporate strategy of the Bank.	5(6)	√	
15	The Board has developed significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	√	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	√	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
18	(a) The Board has met at least four times during the year.	6(1)	√	
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	√	
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	√	
19	The Board has monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	√	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained	9	√	
21	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	√	
	(b) In case of listed PSCs, the Board has prepared half		√	

	yearly accounts and undertaken limited scope review by the auditors. (c)The Board has placed the annual financial statements on the Bank's website		√																			
22	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.	11	√																			
23	(a) The Board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the Board members. (d) The Committees were chaired by the following non-executive directors:	12	√ √ √ √																			
	<table border="1"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>04</td> <td>Syed Javed</td> </tr> <tr> <td>Risk Management Committee</td> <td>04</td> <td>Mr. Zaigham Mahmood Rizvi</td> </tr> <tr> <td>Human Resource Committee</td> <td>04</td> <td>Syed Javed</td> </tr> <tr> <td>Procurement Committee</td> <td>04</td> <td>Mr. Haaris Mahmood Chaudhary</td> </tr> <tr> <td>Nomination Committee</td> <td>04</td> <td>Mr.Zafar Hasan</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	04	Syed Javed	Risk Management Committee	04	Mr. Zaigham Mahmood Rizvi	Human Resource Committee	04	Syed Javed	Procurement Committee	04	Mr. Haaris Mahmood Chaudhary	Nomination Committee	04	Mr.Zafar Hasan			
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Procurement Committee	04	Mr. Haaris Mahmood Chaudhary																				
Nomination Committee	04	Mr.Zafar Hasan																				
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment.	13	√																			
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√																			
26	The Bank has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act	16	√																			
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	√																			

28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Bank except those disclosed to the company	18	√																
29	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the Bank contains criteria and details of remuneration of each director.	19	√																
30	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial Officer, before consideration and approval of the approval of the Audit Committee and the Board.	20	√																
31	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members:	21 (1) and 21 (2)	√																
	<table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Syed Javed</td> <td>Independent</td> <td>Economics/ Management</td> </tr> <tr> <td>Mr.Zaigham Mahmood Rizvi</td> <td>Independent</td> <td>Economics/ Business</td> </tr> <tr> <td>Mr.Haaris Mahmood Chaudhary</td> <td>Non-Executive</td> <td>Business</td> </tr> <tr> <td>Mr.Muhammad Aslam Ghauri</td> <td>Non-Executive</td> <td>Business</td> </tr> </tbody> </table>	Name of Member	Category	Professional background	Syed Javed	Independent	Economics/ Management	Mr.Zaigham Mahmood Rizvi	Independent	Economics/ Business	Mr.Haaris Mahmood Chaudhary	Non-Executive	Business	Mr.Muhammad Aslam Ghauri	Non-Executive	Business			
Name of Member	Category	Professional background																	
Syed Javed	Independent	Economics/ Management																	
Mr.Zaigham Mahmood Rizvi	Independent	Economics/ Business																	
Mr.Haaris Mahmood Chaudhary	Non-Executive	Business																	
Mr.Muhammad Aslam Ghauri	Non-Executive	Business																	
	The Chief Executive and Chairman of the Board are not members of the Audit Committee.		√																
32	(a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed. (b) The Audit Committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives. (c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	√ √ √																



33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. (b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	22	√ √ √	
34	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√	
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services	23(5)	√	

PRESIDENT / CEO (ACTING)
Asad Ullah Habib

Independent Director

SCHEDULE II

 Explanation for Non-Compliance with the
 Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

S. No.	Rule/ sub-rule No.	Reasons for non-compliance	Future course of action
1	4(1)	Chairman, President/CEO and Members of the Board are appointed by the Federal Government under Banks (Nationalization) Act, 1974. The Chairman appointed by the Federal Government resigned from the Board on March 11, 2022. No Chairman has been appointed thereafter by the Federal Government.	Finance Division, GoP has been requested for appointment of Chairman on the Board of the Bank.

UNCONSOLIDATED FINANCIAL STATEMENTS



INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ZARAI TARAQIATI BANK LIMITED (ZTBL)

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed unconsolidated financial statements of ZARAI TARAQIATI BANK LIMITED (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2022, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, along with unaudited certified return received from the branches except for one hundred and sixty two (162) branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the unconsolidated 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 ethical 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S.No.	Key Audit Matters	How the matter was addressed in our audit
1.	Provision against advances	
	<p>The Bank's credit portfolio is comprised of agriculture financing which includes Farm Credits and Non-Farm Credits to small farmers and low-income households.</p> <p>As per the Bank's accounting policy {refer note 6.4 and 6.31(b) to the unconsolidated financial</p>	<p>Our audit procedures in respect of classified portfolio and provision thereon included the following:</p> <ul style="list-style-type: none"> We reviewed the design and operating effectiveness of the Bank's manual and automated process including general IT controls for



	<p>statements}, the Bank determines provision against non-performing advances on time-based criteria in accordance with the requirements of Prudential Regulations for Agriculture Financing (PRs) of State Bank of Pakistan (SBP) and which is supplemented by a subjective provision based upon management's judgment.</p> <p>The Bank's advances represent 18% of its total assets and are stated at Rs. 90,452 million which are net of provision of Rs. 17,171 million as at December 31, 2022.</p> <p>In view of the magnitude of advances, involvement of significant management's judgement and reliance on IT control environment, we identified provision against advances as a key audit matter.</p> <p>Refer note 11 to the unconsolidated financial statements.</p>	<p>identification and classification of non-performing advances, classification of these advances to correct non-performing advances category and accurate computation of provisions.</p> <ul style="list-style-type: none"> • We performed substantive procedures on sample basis to check the classification of advances and to assess that the provision is in line with the requirements of the applicable Prudential Regulations. • We evaluated the management's assessment for classification of individual loan facilities as performing or non-performing based on review of repayment pattern, assessment of number of days overdue and inspection of credit documentation. • We selected a representative sample of borrowers and assessed the appropriateness of amount reported for provision through review of borrowers' individual statements, analysis of repayment history, computation of number of days past due and compliance with the applicable PRs. • In respect of the level of general provision maintained by the Bank and specific provision recognized, we discussed the approach and policy followed by the Bank with the management. • We also reviewed adequacy of disclosures as included in note 11 to the unconsolidated financial statements regarding the non-performing advances and provisions recognized for the same in accordance with the requirements of the applicable financial reporting framework.
2.	<p>Valuation of Investments</p>	
	<p>The bank's investments include Government securities, listed and unlisted shares and debt securities classified as available for sale and investment in subsidiary comprising 62% of total assets amounting to net investments of Rs. 306,850 million as at December 31, 2022.</p> <p>These investments are carried at fair value in accordance with the Bank's accounting policy relating to their measurement. Provision against investment in unlisted shares classified as available for sale is made based on the impairment policy of the Bank which comprises of subjective factors.</p> <p>We identified the investments as a key audit matter</p>	<p>Our audit procedures in respect of valuation of investments mainly included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and testing the design and operational effectiveness of the controls relating to the valuation and assessment of the methodology and the appropriateness of the valuation models to value available for sale investments. • Checking on a sample basis, the valuation of Government securities and debt securities to supporting documents and market prices. • Comparing the cost of each equity

	<p>because the Bank has reported a significant increase in its investments during the year in relation to the unconsolidated financial statements and the use of management judgment in determination of impairment.</p> <p>Refer note 10 to the unconsolidated financial statements.</p>	<p>investments to its market value to determine the valuation and recognition as per the policy of the bank.</p> <ul style="list-style-type: none"> • Evaluated the management assessment in respect of valuation and impairment of investment in un-listed shares. • Assessing the completeness and accuracy of the disclosures relating to investments classified as available for sale and compliance with disclosure requirements laid down by the State Bank of Pakistan.
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Information Other than the Unconsolidated Financial Statements and Auditors 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 unconsolidated financial statements and our auditors report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditors Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors 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 as applicable in Pakistan 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 unconsolidated financial statements.

Rabees

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

- Identify and assess the risks of material misstatement of the unconsolidated 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 auditors report to the related disclosures in the unconsolidated 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 auditors 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in initials agreement with the books of account and returns;

Rabees

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty percent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditors report is Iffat Hussain.

ISLAMABAD
DATED: 07 MARCH 2023
UDIN: AR202210094xKwy1ICi3

Bdo ebrahim & Co.
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

Bdo ebrahim

ZARAI TARAQIATI BANK LIMITED

ANNUAL UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

BDO Ebrahim & Co.
Chartered Accountants

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

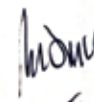
	Note	2022 Rupees in '000	2021
ASSETS			
Cash and balances with treasury banks	7	2,580,409	5,026,023
Balances with other banks	8	12,615,369	26,815,652
Lendings to financial institutions	9	39,623,142	16,879,487
Investments - net	10	306,849,685	82,407,245
Advances - net	11	90,452,380	91,822,307
Fixed assets	12	2,400,851	2,477,865
Intangible assets	13	73,159	35,817
Deferred tax assets - net	14	15,036,259	13,230,217
Other assets - net	15	21,461,189	16,113,801
		491,092,443	254,808,414
LIABILITIES			
Bills payable	17	580,505	442,401
Borrowings	18	354,898,713	132,357,035
Deposits and other accounts	19	47,332,694	43,598,565
Liabilities against assets subject to finance lease		-	-
Subordinated loan		-	-
Deferred tax liabilities - net		-	-
Other liabilities	20	28,567,958	24,479,822
		431,379,870	200,877,823
NET ASSETS			
		59,712,573	53,930,591
REPRESENTED BY			
Share capital	21	52,678,432	52,678,432
Reserves		7,324,095	6,299,526
Surplus on revaluation of assets - net of tax	22	913,828	989,649
Un-appropriated loss		(1,203,782)	(6,037,016)
		59,712,573	53,930,591
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022


	Note	2022 Rupees in '000	2021
Mark-up / return / interest earned	24	39,436,395	22,526,158
Mark-up / return / interest expensed	25	24,899,603	10,325,697
Net mark-up / interest income		14,536,792	12,200,461
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	1,065,537	998,119
Dividend income		142,082	192,413
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities	27	32,879	15,006
Other income	28	180,832	141,000
Total non-mark-up / interest income		1,421,330	1,346,538
Total income		15,958,122	13,546,999
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	12,153,249	10,909,948
Workers welfare fund		-	-
Other charges	30	-	76,359
Total non mark-up / interest expenses		12,153,249	10,986,307
Profit before provisions		3,804,873	2,560,692
Provisions and write offs - net	31	(3,653,088)	777,676
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		7,457,961	1,783,016
Taxation	32	2,335,114	3,518,256
PROFIT / (LOSS) AFTER TAXATION		5,122,847	(1,735,240)
..... Rupees			
Basic earnings / (loss) per share	33	0.97	(0.33)
Diluted earnings / (loss) per share	33	0.97	(0.33)

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022


	2022	2021
	... Rupees in '000 ...	
Profit / (loss) after taxation for the year	5,122,847	(1,735,240)
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	-	-
Movement in surplus on revaluation of investments - net of tax	(75,821)	(689,398)
	(75,821)	(689,398)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	734,956	(331,925)
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
	734,956	(331,925)
Total comprehensive income / (loss)	5,781,982	(2,756,563)

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


 President


 Chief Financial Officer


 Director


 Director



 Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
..... Rupees in '000						
Balance as at December 31, 2020	52,678,432	6,239,526	60,000	1,679,047	(3,969,851)	56,687,154
Loss after taxation for the year	-	-	-	-	(1,735,240)	(1,735,240)
Other comprehensive loss - net of tax	-	-	-	(689,398)	(331,925)	(1,021,323)
Total comprehensive loss for the year	-	-	-	(689,398)	(2,067,165)	(2,756,563)
Balance as at December 31, 2021	52,678,432	6,239,526	60,000	989,649	(6,037,016)	53,930,591
Profit after taxation for the year	-	-	-	-	5,122,847	5,122,847
Other comprehensive income / (loss) - net of tax	-	-	-	(75,821)	734,956	659,135
Total comprehensive income / (loss) for the year	-	-	-	(75,821)	5,857,803	5,781,982
Transferred to statutory reserve	-	1,024,569	-	-	(1,024,569)	-
Balance as at December 31, 2022	52,678,432	7,264,095	60,000	913,828	(1,203,782)	59,712,573

Statutory reserves represent reserve maintained as per requirement of Section 21 of the Banking Companies Ordinance, 1962.

The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 Rupees in '000	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	37	14,429,585	11,242,200
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(22,743,655)	(5,841,512)
Advances - net		(2,470,268)	3,637,679
Other assets - net (excluding advance taxation)		(6,454,072)	505,558
		(31,667,995)	(1,698,275)
Increase / (decrease) in operating liabilities:			
Bills payable		138,104	40,290
Borrowings from financial institutions		222,541,678	51,193,803
Deposits and other accounts		3,734,129	(5,586,952)
Other liabilities		3,583,783	(267,055)
		229,997,694	45,380,086
Employees' benefits paid		(1,022,561)	(1,018,509)
Income tax paid		(3,610,464)	(368,575)
Net cash generated from operating activities		208,126,259	53,536,927
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(224,328,889)	(43,627,891)
Dividend received		142,082	192,413
Investments in operating fixed assets		(322,107)	(175,968)
Proceeds from sale of fixed assets		83,478	87,162
Net cash used in investing activities		(224,425,436)	(43,524,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability against right-of-use assets - net		(346,720)	(277,399)
Net cash used in financing activities		(346,720)	(277,399)
(Decrease) / increase in cash and cash equivalents		(16,645,897)	9,735,244


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1 STATUS AND NATURE OF BUSINESS

1.1 Reorganization and conversion

The Federal Government in its cabinet meeting held on August 28, 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan (ADBP) into a public limited Company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stakeholders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of ADBP and for matters connected therewith or incidental thereto.

1.2 Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited ("the Bank") was incorporated as a public limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on October 23, 2002. Consequently, under SRO 823(1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to, and vested in Zarai Taraqati Bank Limited on December 14, 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rs. 8.7 billion. The Bank is domiciled in Pakistan and its registered office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 501 (2021: 501) branches including 5 (2021: 5) Islamic banking branches in Pakistan as at the close of the year.

1.3 Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

2 BASIS OF PRESENTATION

- 2.1 These financial statements represent separate financial statements of the Zarai Taraqati Bank Limited. The consolidated financial statements of the Bank and its subsidiary are issued separately.
- 2.2 The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.
- 2.3 The unconsolidated financial statements have been presented in accordance with format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated January 25, 2018.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. These comprise of:
- International Financial Reporting Standards (IFRS) and interpretations issued by the

- International Accounting Standards Board as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP.

In case requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962, or the provisions of and directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Act, 2017, Banking Companies Ordinance, 1962, and the said directives shall prevail.

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of IFAS 3, 'Profit and Loss Sharing on Deposits. Furthermore, SECP has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated April 28, 2008. 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 the SBP through various circulars.

4 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, these do not have any material effect on the financial statements of the Bank and, therefore, are not disclosed.

4.1 Standards, Interpretations and amendments to accounting standards that are not yet effective

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

	Effective date (annual periods beginning on or after)
IFRS 9, Financial Instruments	January 01, 2024
IFRS 16, Leases - Lease liability in a sale and leaseback	January 01, 2024
IAS 1, Presentation of Financial Statements (Amendments)	January 01, 2023
IAS 8, Accounting Policies, Change in Accounting Estimates and Errors - Definition of Accounting Estimates	January 01, 2023
IAS 12, Income Taxes - Deferred tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. 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. According to SBP BPRD circular no. 4 dated October 23, 2019, the Banks / DFIs are required to have a parallel run of IFRS

9 from January 01, 2020 and are also required to prepare pro-forma financial statements which include the impact of IFRS 9 from the year ended December 31, 2019. As per BPRD circular no. 3 of 2022 dated July 05, 2022 it has been decided to extend the implementation date of IFRS 9 from January 01, 2022 as per following timelines:

- Effective date of implementation -January 01, 2023 for banks having asset size of PKR 500 billion or above as per their annual financial statements of December 31, 2021.
- Effective date of implementation -January 01, 2024 for all other banks and Microfinance banks.
- Nevertheless, early adoption of the standard is permissible.

During the transition period, the financial institutions are required to carry out the parallel run reporting.

Except for the implementation of IFRS 9, the Bank expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

5 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost

- Certain investments that have been marked to market and are carried at fair value.
- Post employment benefits that are recorded at present value using actuarial valuation.
- Right-of-use assets and their related lease liability which are measured at their present values.

These financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to the nearest thousand rupees.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- 6.1 SBP vide BPRD Circular No. 1 dated January 1, 2016 issued 'Regulations for Debt Property Swap', regarding recording of non-banking assets acquired in satisfaction of claims on revalued amount, which is not applicable on the Bank. Therefore, treatment suggested by the said Regulation has not been accounted for in these financial statements.

6.2 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

a) Pension scheme

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

b) Gratuity scheme

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

c) Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

d) Benevolent scheme

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

e) Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

f) Employees' compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with treasury banks and balances with other banks.

6.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provision against unidentified include general provision based on historical loss experience of advances. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by SBP.

6.5 Investments

The Bank classifies its investments as follows:

Held-for-trading

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

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

Available-for-sale

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

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investments. Transaction costs on investments held for trading are expensed in the profit and loss account.

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

In accordance with the requirements of SBP, quoted securities, other than those classified as 'held to maturity', 'investment in subsidiary' and 'investments in associates' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the Statement of Financial Position as part of equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account for the current year.

Unquoted equity securities (excluding investments in subsidiary and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Investments in Subsidiaries and Associates

Associates are all entities over which the Bank has significant influence but not control. Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the profit and loss account. Provision for diminution in the value of investments is taken to the profit and loss account for the current year.

6.6 Operating fixed assets and depreciation / amortization**Property and equipment**

Property and equipment, except freehold land which is not amortized and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2 to these financial statements, after taking into account the residual value, if any. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values,

useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses, if any, on disposal of operating fixed assets are charged to the profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Capital work in progress

Capital work-in-progress is stated at cost less impairment losses (if any) and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant operating fixed assets category as and when assets are available for use as intended by the management.

6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over their useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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

6.8.1 Right of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their 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 after the leases are matured or terminated.

6.8.2 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.

6.9 Impairment

Carrying values of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.10 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at the carrying value of such assets.

6.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account available tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the 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 the tax rates enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

6.12 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as expenses in the period in which these are incurred using effective mark-up / interest rate method.

6.13 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.14 Revenue recognition

Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by SBP. Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

Fee, brokerage and commission income is recognized on accrual basis.

Profit / (loss) on sale of investments is credited / charged to the profit and loss account for the current year.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

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

Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.

Operating lease rentals are recorded in the profit and loss account on a time proportion basis over the term of lease arrangements.

6.15 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect current best estimates.

6.16 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the reporting date.

6.17 Financial instruments

Financial assets and liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as available for sale are valued at mark-to-market basis and investments classified as held to maturity are stated at amortized cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the profit and loss account.

6.18 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally 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.

6.19 Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Bank's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Bank that either require fair value measurements or only fair value disclosures as at December 31, 2022 are disclosed in note 40.

6.20 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6.22 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), and is subject to risk and rewards that are different from those of other segments. The Bank is engaged in providing agri-financing and branch banking, islamic banking and treasury operations and operates only in Pakistan.

6.23 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

6.24 Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Bank.

6.25 Other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each reporting date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

6.26 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

6.27 Statutory reserve

In compliance with the requirements of the Banking Companies Ordinance, 1962, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 10% of the profit after tax.

6.28 Cash reserve requirement

The Bank maintains liquidity equivalent to at least 6% of its time and demand deposits in the form of liquid assets i.e. cash and banks.

6.29 Grants

Grants of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the profit and loss account to the extent of the actual expenditure incurred. Expenditure incurred against grants committed but not received, is recognized directly in the profit and loss account and reflected as a receivable from donors.

Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it.

6.30 Contingencies

A contingent liability is disclosed when the Bank has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6.31 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

a) Classification of investments

As described in Note 6.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves

management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required thereagainst on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by SBP from time to time and the management's judgment in case of subjective provision.

c) Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in note 38 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

d) Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with IAS 8 'Changes in Accounting Estimates and Errors'.

e) Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price.

Impairment of investments in subsidiary and associates

The Bank considers that a decline in the recoverable value of investment in subsidiary and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

f) Taxation

In making the estimates for income tax currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Bank's future taxable profits are taken into account.

g) Provision and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

h) Right-of-use assets

As mentioned in note 6.8, right-of-use assets is depreciated over its lease term while their related lease liability are extra measured at their present values.

	Note	2022 Rupees in '000	2021
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		1,065,179	572,019
With State Bank of Pakistan in:			
Local currency current account	7.1	1,132,277	2,919,203
With National Bank of Pakistan in:			
Local currency current account	7.2	42,212	1,198,284
Local currency deposit account		339,008	333,762
		381,220	1,532,046
Prize bonds		1,733	2,755
		<u>2,580,409</u>	<u>5,026,023</u>

7.1 This represents current accounts maintained with SBP under cash reserve requirement of the Banking Companies Ordinance, 1962.

7.2 These carry mark-up at rates ranging from 7.25% to 14.50% (2021: 5.50% to 12.50%) per annum.

	Note	2022 Rupees in '000	2021
8 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		87,346	124,434
In deposit accounts	8.1	12,528,023	26,691,218
		<u>12,615,369</u>	<u>26,815,652</u>

8.1 These carry mark-up at rates ranging from 7.25% to 17.25% (2021: 5.50% to 12.40%) per annum.

	Note	2022 Rupees in '000	2021
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		15,500,000	3,050,000
Repurchase agreement lendings (reverse repo)	9.2	24,071,867	13,778,212
Bai Muajjal receivable			
With State Bank of Pakistan	9.3	51,275	51,275
		<u>39,623,142</u>	<u>16,879,487</u>

9.1 Particulars of lendings

In local currency	39,623,142	16,879,487
In foreign currencies	-	-
	<u>39,623,142</u>	<u>16,879,487</u>

9.2 This carries mark-up at rates ranging from 15.90% to 16.50% (2021: 10.10% to 10.75%) per annum having maturity during January 2023.

9.3 This carries mark up coupon 7.94% and having maturity during June 2023.

9.4 Securities held as collateral against lendings to financial institutions

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Pakistan Investment Bonds	24,071,867	-	24,071,867	13,778,212	-	13,778,212
	<u>24,071,867</u>	<u>-</u>	<u>24,071,867</u>	<u>13,778,212</u>	<u>-</u>	<u>13,778,212</u>

10 INVESTMENTS - NET**10.1 Investments by types**

Note	2022					2021						
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000											
10.4	Available-for-sale securities											
	Federal Government securities											
	302,439,194	-	(840,501)	301,598,693	78,001,592	-	(873,024)	77,128,568	99,819	(10,523)	2,375,819	2,465,115
	568,921	-	-	568,921	594,575	-	3,412	597,987	2,049,065	-	16,330	2,115,575
	305,156,999	(10,523)	1,603,209	306,749,685	80,795,231	(10,523)	1,522,537	82,307,245	100,000	-	-	100,000
	305,256,999	(10,523)	1,603,209	306,849,685	80,895,231	(10,523)	1,522,537	82,407,245				
	Subsidiary											
	302,439,194	-	(840,501)	301,598,693	78,001,592	-	(873,024)	77,128,568				
	89,296	-	2,438,038	2,527,334	89,296	-	2,375,819	2,465,115				
	10,523	(10,523)	-	-	10,523	(10,523)	-	-				
	99,819	(10,523)	2,438,038	2,527,334	99,819	(10,523)	2,375,819	2,465,115				
	2,617,986	-	5,672	2,623,658	2,693,820	-	19,742	2,713,562				
	100,000	-	-	100,000	100,000	-	-	100,000				
	305,256,999	(10,523)	1,603,209	306,849,685	80,895,231	(10,523)	1,522,537	82,407,245				

10.2 Investments by segments**Federal Government Securities**

Market Treasury Bills

Pakistan Investment Bonds

GOP Ijarah sukuk

	2022	2021
Market Treasury Bills	243,661,242	42,060,692
Pakistan Investment Bonds	57,301,871	34,764,522
GOP Ijarah sukuk	1,476,081	1,176,378
	302,439,194	78,001,592

Shares:

Listed Companies

Unlisted Companies

	2022	2021
Listed Companies	89,296	89,296
Unlisted Companies	10,523	10,523
	99,819	99,819

Non Government Debt Securities

Listed

Subsidiary

Kissan Support Services (Private) Limited

Total investments

	2022	2021
Listed	2,617,986	2,693,820
Subsidiary	100,000	100,000
Kissan Support Services (Private) Limited	100,000	100,000
	2,617,986	2,693,820
Total investments	305,256,999	80,895,231

2022 2021
Rupees in '000

10.2.1 Information related to subsidiary company

Country of incorporation	Pakistan	
Percentage of Holding (%)	100	100
Assets	1,494,775	1,398,339
Liabilities	482,553	438,493
Revenue	147,241	115,511
Profit / (loss) after tax	54,442	(64,916)
Total comprehensive income / (loss)	52,375	(40,847)

10.2.2 Investments given as collateral

Market Treasury Bills	245,818,915	33,453,279
Pakistan Investment Bonds	47,218,262	43,392,220
	293,037,177	76,845,499

10.3 Provision for diminution in value of investments

	10,523	10,523
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10.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

2022 2021
Cost
Rupees in '000

Federal Government Securities - Government guaranteed

Market Treasury Bills	243,661,242	42,060,692
Pakistan Investment Bonds	57,301,871	34,764,522
Ijarah Sukuks	1,476,081	1,176,378
	302,439,194	78,001,592

Shares

Listed companies

Food and personal care products	89,296	89,296
---------------------------------	--------	--------

2022		2021	
Cost	Breakup value	Cost	Breakup value
Rupees in '000			

Unlisted companies

Pakistan Mercantile Exchange Limited	10,523	3,082	10,523	1,436
Pakistan Agricultural Storage and Services Corporation Limited	-	1,614,525	-	1,617,050
	10,523	1,617,607	10,523	1,618,486

10.4.1 Investment in Pakistan Mercantile Exchange Limited has been fully provided for due to negative break up value in prior financial statements. Cost per share is Rs. 10 to Rs. 13.5 having total cost amounting to Rs. 10.523 million.



10.4.2 Investments in Pakistan Agricultural Storages and Services Corporation Limited was transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rs. 1. Cost per share is Rs. 1,000 having total cost amounting to Rs. 2.50 million.

	2022	2021
	Cost	
	Rupees in '000	
Non Government debt securities		
Listed		
- AAA	500,000	500,000
- AA+, AA, AA-	1,967,986	2,193,820
- A+, A, A-	150,000	-
	<u>2,617,986</u>	<u>2,693,820</u>

11 ADVANCES - NET

	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
Loans, cash credits, running finance, etc.	73,884,456	74,456,385	33,738,604	40,799,600	107,623,060	115,255,985
Advances - gross	73,884,456	74,456,385	33,738,604	40,799,600	107,623,060	115,255,985
Provision for advances:						
- against agriculture advance	-	-	14,126,561	20,392,883	14,126,561	20,392,883
- against staff advances	-	-	44,119	40,795	44,119	40,795
- general	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Advances - net of provision	70,884,456	71,456,385	19,567,924	20,365,922	90,452,380	91,822,307

11.1 Particulars of advances (gross)

In local currency

107,623,060 115,255,985

11.2 Advances include Rs. 33,682.336 million (2021: Rs. 40,746.754 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification

Domestic

Other assets especially mentioned
Substandard
Doubtful
Loss

	2022		2021	
	Non performing loans	Provision	Non performing loans	Provision
..... Rupees in '000				
	13,616,010	-	10,716,466	-
	5,303,514	1,060,703	8,464,335	1,692,867
	3,393,911	1,696,957	5,731,879	2,865,942
	11,368,901	11,368,901	15,834,074	15,834,074
	33,682,336	14,126,561	40,746,754	20,392,883

11.3 Particulars of provision against advances

	2022		2021	
	Specific	General	Specific	General
Opening balance	20,392,883	3,000,000	24,205,818	3,000,000
Charge for the year	9,122,441	-	14,875,636	-
Reversals	(5,285,570)	-	(7,687,659)	-
	3,836,871	3,836,871	7,187,977	7,187,977
Amounts written off (Note 11.4)	-	-	-	-
Amounts charged off- Agri Financing (Note 11.6)	(10,103,193)	-	(11,000,912)	-
Closing balance	14,126,561	3,000,000	20,392,883	3,000,000

11.3.1 Particulars of provision against advances

	2022		2021	
	Specific	General	Specific	General
In local currency	14,126,561	3,000,000	20,392,883	3,000,000

11.3.2 Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

11.3.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 3,720.917 million (2021: Rs.7,019.92 million) and further de-graded the category of classified loans and advances amounting to Rs. 6,511.752 million (2021: Rs. 8,182.97 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

11.3.4 Provision against non-performing loans and advances - net

	Note	2022	2021
		Rupees in '000	
Provision against non-performing loans and advances	11.3	3,836,871	7,187,977
Provision against staff advances		3,324	8,307
		<u>3,840,195</u>	<u>7,196,284</u>

	Note	2022 Rupees in '000	2021
11.4 Particulars of write offs:			
11.4.1 Against provisions		-	-
Directly charged to Profit & Loss account		-	-
		<u>-</u>	<u>-</u>
11.4.2 Write offs of Rupees 500,000 and above	11.5	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

11.5 Details of Loan write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year has to be disclosed. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is given at Annexure-I.

11.6 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2022 amounts to Rs. 53,642.51 million (2021: Rs. 44,463.25 million) with an addition of Rs. 10,103.19 million (2021: Rs. 11,000.91 million) as charge off loans during the year.

	Note	2022 Rupees in '000	2021
12 FIXED ASSETS			
Capital work-in-progress	12.1	55,266	43,888
Property and equipment	12.2	2,345,585	2,433,977
		<u>2,400,851</u>	<u>2,477,865</u>
12.1 Capital work-in-progress			
Civil works		42,774	35,858
Consultancy charges		6,891	6,762
Others	12.1.1	5,601	1,268
		<u>55,266</u>	<u>43,888</u>

12.1.1 This includes soil testing and other charges incurred at sites.

12.2 Property and equipment

Description	January 1, 2022				Year ended December 31, 2022				December 31, 2022		Rate of Depreciation
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (disposal) / (transferred)	Depreciation charge / (depreciation on disposal)	Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value	
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-
Land - Leasehold	10,742	5,822	4,920	4,920		217	4,703	10,742	6,039	4,703	Lease terms for 33 to 99 years
Buildings on freehold land	712,054	220,417	491,637	491,637	1,579	25,216	468,000	713,633	245,633	468,000	5%
Buildings on leasehold land	548,452	306,519	241,933	241,933	5,225	12,255	234,903	553,677	318,774	234,903	5%
Buildings on leasehold land - ADB	21,224	10,659	10,565	10,565		528	10,037	21,224	11,187	10,037	5%
Furniture and fixtures	539,592	269,897	269,695	269,695	2,838	27,120	245,413	542,430	297,017	245,413	10% / 20%
Computer, office and other equipment	1,497,863	1,140,466	357,397	357,397	30,819 (2,900)	102,288 (2,831)	285,859	1,525,782	1,239,923	285,859	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2	20% / 33%
Vehicles	1,225,412	1,091,266	134,146	134,146	116,891 (42,002)	62,106 (32,742)	179,671	1,300,301	1,120,630	179,671	20%
Right-of-use assets (note 6.8)	1,254,218	436,455	817,763	817,763	318,334 (250,599)	255,892 (181,472)	811,078	1,321,953	510,875	811,078	10% - 100%
	6,127,765	3,693,788	2,433,977	2,433,977	475,686 (295,501)	485,622 (217,045)	2,345,585	6,307,950	3,962,365	2,345,585	

Description	January 1, 2021				Year ended December 31, 2021				December 31, 2021			
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (Disposal) / (Transferred)	Depreciation charge / (depreciation on disposal)	Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value	Annual rate of Depreciation	
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-	
Land - Leasehold	10,742	5,605	5,137	5,137	-	217	4,920	10,742	5,822	4,920	Lease terms for 33 to 99 years	
Buildings on freehold land	716,445	197,232	519,213	519,213	(4,391)	23,185	491,637	712,054	220,417	491,637	5%	
Buildings on leasehold land	548,118	293,789	254,329	254,329	334	12,730	241,933	548,452	306,519	241,933	5%	
Buildings on leasehold land - ADB	21,224	10,103	11,121	11,121	-	556	10,565	21,224	10,659	10,565	5%	
Furniture and fixtures	539,488	242,229	297,259	297,259	2,422 (2,318)	29,822 (2,154)	269,695	539,592	269,897	269,695	10% / 20%	
Computer, office and other equipment	1,463,400	1,006,253	457,147	457,147	34,943 (480)	134,665 (452)	357,397	1,497,863	1,140,466	357,397	20% / 33%	
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2	20% / 33%	
Vehicles	1,260,324	1,071,003	189,321	189,321	49,102 (84,014)	80,663 (60,400)	134,146	1,225,412	1,091,266	134,146	20%	
Right-of-use assets (note 6.8)	1,298,806	387,601	911,205	911,205	226,286 (270,874)	267,448 (218,594)	817,763	1,254,218	436,455	817,763	10% - 100%	
	6,176,755	3,426,102	2,750,653	2,750,653	313,087 (362,077)	549,286 (281,600)	2,433,977	6,127,765	3,693,788	2,433,977		

	2022	2021
	Rupees in '000	
	58,440	58,470
	3,220	3,220
	351,454	341,575
	212,120	212,289
	969,073	883,766
	<u>1,535,867</u>	<u>1,440,850</u>

12.3 Carrying amount of temporarily idle property

12.4 Included in cost of property and equipment are fully depreciated items still in use having following category wise breakup:

Leasehold land	3,220	3,220
Computer, office and other equipment	351,454	341,575
Computer, office and other equipment - ADB	212,120	212,289
Vehicles	969,073	883,766
	<u>1,535,867</u>	<u>1,440,850</u>

12.5 The title documents of freehold land having cost of Rs. 1.86 million (2021: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2021: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.

12.6 Detail of disposal of fixed assets to related parties during the year are as follows:

Description	Cost	Book value	Sale proceed	Mode of disposal	Particulars of buyers
..... Rupees in '000					
Toyota Altis	3,808	1,523	1,523	As per entitlement	Mr. Shahbaz Jameel, Ex-CEO/President
Toyota Corolla	1,687	-	-	As per entitlement	Qasim Mehmood Chisti, SEVP
Toyota Corolla	1,819	-	364	As per entitlement	Rana Mujahid Ali Khan, EVP

13 INTANGIBLE ASSETS

Description	Year ended December 31, 2022				Year ended December 31, 2021							
	January 1, 2022	December 31, 2022	January 1, 2021	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021	December 31, 2021				
	Cost	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge	Closing net book value	Cost	Accumulated amortisation	Net book value	Rate of amortization	Useful life
..... Rupees in '000												
Computer software	137,182	101,365	35,817	35,817	83,808	46,466	73,159	220,990	147,831	73,159	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	<u>219,263</u>	<u>183,446</u>	<u>35,817</u>	<u>35,817</u>	<u>83,808</u>	<u>46,466</u>	<u>73,159</u>	<u>303,071</u>	<u>229,912</u>	<u>73,159</u>		
Year ended December 31, 2021												
	Cost	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge	Closing net book value	Cost	Accumulated amortisation	Net book value	Rate of amortization	Useful life
..... Rupees in '000												
Computer software	96,849	77,453	19,396	19,396	40,333	23,912	35,817	137,182	101,365	35,817	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	<u>178,930</u>	<u>159,534</u>	<u>19,396</u>	<u>19,396</u>	<u>40,333</u>	<u>23,912</u>	<u>35,817</u>	<u>219,263</u>	<u>183,446</u>	<u>35,817</u>		

13.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 178.931 million (2021: Rs. 168.386 million).

14 DEFERRED TAX ASSETS - NET**Deductible temporary differences on:**

Defined benefit plans
Provision against non-performing loans and advances

Taxable temporary differences on:

Accelerated tax depreciation and amortization
Surplus on revaluation of investments

	At January 1, 2022	Recognised in P&L A/C	Recognised in OCI	At December 31, 2022
	687,669	-	(554,441)	133,228
	13,136,477	2,448,107	-	15,584,584
	13,824,146	2,448,107	(554,441)	15,717,812
22	(61,041)	68,868	-	7,827
	(532,888)	-	(156,492)	(689,380)
	(593,929)	68,868	(156,492)	(681,553)
	13,230,217	2,516,975	(710,933)	15,036,259

Note
..... Rupees in '000

	At January 1, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
	508,940	-	178,729	687,669
	2,759,984	(2,759,984)	-	-
	11,021,173	2,115,304	-	13,136,477
	14,290,097	(644,680)	178,729	13,824,146

..... Rupees in '000

Deductible temporary differences on:

Defined benefit plans
Tax losses carried forward
Provision against non-performing loans and advances

Taxable temporary differences on:

Accelerated tax depreciation and amortization
Surplus on revaluation of investments

	At January 1, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
	(119,404)	58,363	-	(61,041)
	(904,103)	-	371,215	(532,888)
	(1,023,507)	58,363	371,215	(593,929)
	13,266,590	(586,317)	549,944	13,230,217

22

14.1 In terms of the Seventh Schedule to the Income Tax Ordinance, 2001, the claim of provision for advances and off balance sheet items has been restricted to 1% of gross advances. This represents the management's best estimate of the probable benefits expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in these years against losses carried forward and other timing differences relating to prior years.

	Note	2022 Rupees in '000	2021
15 OTHER ASSETS - NET			
Income / mark-up accrued in local currency on :			
- advances - net of provision	15.1	8,555,496	5,416,354
- securities		3,992,008	1,330,560
- deposits		140,929	163,507
Amount recoverable from Federal Government	15.2	2,800,085	2,691,252
Tax recoverable	15.3	422,652	422,652
Branch adjustment account		-	1,726,559
Taxation (payments less provision)	15.4	2,495,135	3,736,760
Receivable from defined benefit plans:	38.6.1		
gratuity scheme - SSR 1961		-	115,744
gratuity scheme - SR - 2005		705,747	479,794
Non banking assets acquired in satisfaction of claims	15.5	423,709	427,721
Stationery and stamps in hand		132,429	127,657
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		22,579	53,509
Security deposits		6,199	6,198
Advances and other prepayments		328,770	170,104
Clearing and settlement	15.6	2,220,173	-
Others		143,533	198,458
		<u>22,400,681</u>	<u>17,078,066</u>
Provision held against other assets	15.7	<u>(939,492)</u>	<u>(964,265)</u>
Other assets - net of provisions		<u>21,461,189</u>	<u>16,113,801</u>

15.1 This does not include Rs. 8,660.416 million (2021: Rs. 10,361.093 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

15.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,411.656 million (2021: Rs. 2,087.305 million), small livestock farmers premium amounting to Rs. 383.57 million (2021: Rs. 599.20 million) and animal tagging charges amounting to Rs. 4.86 million (2021: Rs. 4.75 million).

15.3 This includes tax recoverable of Rs. 309.359 million (2021: Rs. 309.359 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 16.

	Note	2022 Rupees in '000	2021
15.4 Taxation - net			
Opening receivable		3,736,760	6,300,124
Charge during the year	32	(4,852,089)	(2,931,939)
Advance income tax / withholding tax		3,610,464	368,575
Closing receivable		<u>2,495,135</u>	<u>3,736,760</u>
15.5 Market value of non-banking assets acquired in satisfaction of claims		<u>818,646</u>	<u>825,978</u>



	2022	2021
	Rupees in '000	
15.5.1 Non banking assets acquired in satisfaction of claims		
Opening Balance	427,721	438,665
Additions	1,221	90
Disposals	(5,233)	(11,034)
Closing Balance	<u>423,709</u>	<u>427,721</u>
15.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims		
Disposal Proceeds	12,558	21,680
less : Cost	(5,182)	(11,034)
Gain	<u>7,376</u>	<u>10,646</u>

15.6 This includes Rs. 2 billion which was cleared / settled on January 3, 2023.

	2022	2021
	Rupees in '000	
15.7 Provision held against other assets		
Tax recoverable	422,652	422,652
Non banking assets acquired in satisfaction of claims	423,709	427,721
Stock of farm machinery	11,237	11,237
Accrued interest on advances of ex-employees	17,734	15,183
Amount deposited with courts / legal charges recoverable	64,160	87,472
	<u>939,492</u>	<u>964,265</u>
15.7.1 Movement in provision held against other assets		
Opening balance	964,265	1,022,306
Charge for the year	39,056	38,586
Reversals	(63,829)	(96,627)
	<u>(24,773)</u>	<u>(58,041)</u>
Closing balance	<u>939,492</u>	<u>964,265</u>

16 CONTINGENT ASSETS

16.1 There is a contingency of an amount of Rs. 297.149 million and Rs. 54.828 million on account of minimum income tax levied by the Income Tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR), disagreed with the aforesaid decision, further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979.

- 16.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.05.2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (Principle + Penalty). On 03.06.2019, payment of impugned tax Amounting Rs.6.6 million (Principle + 10% Surcharge) has been made, under protest, to avail the SRB Amnesty Scheme. Bank has filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.3 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.07.2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On 03.06.2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.4 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 24.01.2020 for the period of January 2014 to December 2014 which created a demand of Rs.54.6 million. On 03.06.2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.



	Note	2022	2021
		Rupees in '000	
17	BILLS PAYABLE		
	In Pakistan	580,505	442,401
18	BORROWINGS		
	Secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	18.2 54,461,536	54,461,536
	Repurchase agreement borrowings	18.3 291,048,185	74,934,577
	Repurchase agreement borrowings - others	18.4 1,988,992	1,910,922
	Total secured	347,498,713	131,307,035
	Unsecured		
	Call borrowings	18.5 7,400,000	1,050,000
		354,898,713	132,357,035
18.1	Particulars of borrowings with respect to currencies		
	In local currency	354,898,713	132,357,035
18.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable on March 7, 2027. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.		
18.3	These carry markup at the rate of 15.24% to 16.26% (2021: 9.91% to 10.21%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 47,700 million (2021: Rs.34,500 million) and Pakistan Investment Bonds amounting to Rs.253,000 million (2021: Rs.42,000 million). These are repayable by January to March 2023 (2021: January to March 2022).		
18.4	These carry markup at the rate of 16% (2021: 10%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 2,000 million (2021: Pakistan Investment Bonds having face value amounting to Rs. 2,000 million) . These are repayable by January 2023 (2021: January 2022).		
18.5	These carry markup at the rate of 15% to 16.26% (2021: 10% to 10.30%) per annum. These are repayable by January to February 2023 (2021: January 2022).		

	2022	2021
	Rupees in '000	
19	DEPOSITS AND OTHER ACCOUNTS	
	Customers - local currency	
	Current deposits	6,012,741
	Saving deposits	5,652,727
	Term deposits	32,524,626
	Others	21,836
		44,211,930
	Financial Institutions - local currency	
	Current deposits	7,264
	Saving deposits	3,113,500
	Term deposits	-
		3,120,764
		47,332,694
		42,048,066
		43,598,565

	2022	2021
	Rupees in '000	
19.1 Composition of deposits		
- Individuals	4,006,640	3,790,813
- Government (Federal and Provincial)	11,701,794	6,160,921
- Public sector entities	7,431,419	8,631,614
- Banking companies	-	-
- Non-Banking Financial Institutions	3,120,764	1,550,501
- Private sector	21,072,077	23,464,716
	<u>47,332,694</u>	<u>43,598,565</u>

19.2 These include deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 9,944.559 million (2021: 10,310.913 million).

	Note	2022	2021
		Rupees in '000	
20 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency on:			
- borrowings		4,326,579	1,465,844
- deposits and other accounts		712,502	804,150
Accrued expenses		942,134	697,294
Branch adjustment account		304,480	-
Net liabilities relating to Bangladesh	20.1	189	190
Payable to Ministry of Food Agriculture & Livestock	20.2	168,000	168,000
Provision for:	38.6.1		
- pension scheme		7,633,256	9,099,720
- employees' post retirement medical benefits		10,063,017	7,964,423
- employees' compensated absences		2,087,516	2,229,620
Payable to subsidiary company	43	103,127	103,193
Due to Islamic Banking		442	496
Security deposits		21,966	32,780
Deferred income	20.3	10,038	10,566
Lease liability against right-of-use assets		907,653	892,799
Clearing and settlement		-	236,217
Others	20.4	1,287,059	774,530
		<u>28,567,958</u>	<u>24,479,822</u>

20.1 Net liabilities relating to Bangladesh

Liabilities		1,953,546	1,924,176
Assets		(1,953,357)	(1,923,986)
	20.1.1	<u>189</u>	<u>190</u>

20.1.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No. F.5(12)PEC(op-FR)/78-236 dated May 6, 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh. However, the Bank has no control over these assets.

20.2 This represents payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2022 Rupees in '000	2021
20.3 Deferred income			
Opening balance		10,566	11,122
Amortization during the year	28	(528)	(556)
Closing balance		<u>10,038</u>	<u>10,566</u>

20.3.1 Deferred income comprises the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

20.4 These represent various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding taxes, contribution received from borrowers, clearing proceeds payable etc.

21 SHARE CAPITAL

21.1 Authorized capital

2022	2021		2022	2021
Number of shares			Rupees in '000	
		Ordinary and Preference shares of Rupees 10 each		
<u>12,500,000,000</u>	<u>12,500,000,000</u>		<u>125,000,000</u>	<u>125,000,000</u>

21.2 Issued, subscribed and paid up capital

2022	2021		2022	2021
Number of shares			Rupees in '000	
		Ordinary shares of Rupees 10 each		
1,186,961,201	1,186,961,201	- fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	- Issued as bonus shares	652,828	652,828
4,015,599,174	4,015,599,174	- Issued against loan from SBP	40,155,992	40,155,992
<u>5,267,843,241</u>	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

21.3

Shareholder	No. of ordinary shares	Paid-up value per share	2022	2021
State Bank of Pakistan	4,015,599,174	10	40,155,992	40,155,992
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,255	1,255
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

	2022	2021
	Rupees in '000	
22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation available-for-sale securities:		
Quoted investments	2,438,038	2,375,819
Other securities	(834,829)	(853,282)
Surplus on revaluation of available-for-sale securities	<u>1,603,209</u>	<u>1,522,537</u>
Deferred tax on surplus on revaluation of available-for-sale securities	(689,381)	(532,888)
	<u>913,828</u>	<u>989,649</u>

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingent liabilities

In respect of cases filed against the Bank:

23.1.1	by borrowers; 489 (2021: 624) cases	<u>355,489</u>	<u>458,926</u>
23.1.2	by employees; 434 (2021: 461) cases	<u>281,681</u>	<u>267,591</u>

23.2.1 Income Tax Department under section 161/205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rs. 7.714 million for the Tax Year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), hearing was fixed in this case against which the bank sought adjournment, but ATIR heard the case and upheld the decision of Assessing Officer (A.O.). A.O. on the direction of ATIR Order reassessed the earlier demand to Rs. 10.105 million by adding default surcharge. Subsequently, the ATIR decided the case in the favour of the Bank and appeal effects order is pending. However, the department filed reference application before Islamabad High Court, Islamabad against the Order of ATIR. The Bank has not accounted for the demand as tax payable and no provision has been recognized as the Bank is confident for a favourable outcome.

23.2.2 The cases relating to taxation matters of the Bank for the Assessment Years 2002-2003 and Tax Years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated June 09, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 decided most of the issues involved in favour of the Bank. Final appeal effects order received by the Bank as per the decisions of ATIR resulting in net refunds of Rs. 4,640.154 million. However, Commissioner Inland Revenue (CIR) filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated June 9, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 before the Honorable Lahore High Court, Rawalpindi Bench for Tax Years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for Assessment Year 2002-03 and Tax Years 2004, 2005, 2006, 2007, 2008 and 2009. The Honourable Islamabad High Court, Islamabad decided the cases for which appeal effects from department are pending except 2007. In Tax Year 2007 the A.O. issued an order on the basis of High Court directives by creating a demand of Rs. 24.875 million, being aggrieved the Bank filed appeal before CIR(A), who remanded back the issues to A.O., appeal effects on the basis of CIR(A) Oder are pending. Provision for the cases of income tax, approximately amounting to Rs. 9,917.854 million, has not been recognized as the Bank is confident for a favourable outcome based on the strong ground of appeal and opinion of legal counsel of the Bank.

- 23.2.3 The Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rs. 1,056.324 million for Tax Years 2008 and of Rs. 2,250.813 millions for Tax Year 2009 respectively aggregating to Rs. 3,307.137 million. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before ATIR who decided and cases remanded back to A.O. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable outcome is expected.
- 23.2.4 DCIR passed order under section 161 / 205 of the Income Tax Ordinance, 2001 and raised demand of Rs. 208.337 million for Tax Year 2011. The Bank filed appeal before CIR(A) against the orders of DCIR who remanded back the case to A.O. for verification. The Bank filed appeal before ATIR against the orders of the CIR(A). ATIR decided the case in favour of Bank on the issue of default surcharge. However, the department filed reference application before Honourable Islamabad High Court, Islamabad. Further, the A.O. on remanded back case, after verification on various issues, reduced the demand to Rs. 14.366 million. Being aggrieved the Bank filed appeal before CIR(A) against the order of A.O. on remanded back case who deleted various issues and also confirmed the action of A.O. on certain issues. Being aggrieved both the Bank and the department filed appeal before ATIR against the orders of the CIR(A). ATIR against the appeals of the Bank and Department decided the case in favour of the Bank. Further, on remanded back issues, the A.O. further created a demand of Rs. 7.527 million. Being aggrieved, the Bank filed appeal before CIR(A) who remanded back the case to the department for denovo consideration with the direction that while giving appeal effects, the order of ATIR may be kept in mind. Being aggrieved the Bank as well Tax Department filed the appeals to ATIR against the orders of CIR(A). The ATIR cancelled the impugned order in favour of Bank for which appeal effect is pending with A.O. The Bank has not accounted for the demand as tax payable because favourable decision is expected.
- 23.2.5 ACIR passed orders under section 122(5A) and raised demand of Rs. 3,287.662 million for Tax Year 2010, Rs. 2,922.830 million for Tax Year 2011 and Rs. 2,037.114 million for Tax Year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to ACIR. The Bank filed appeals with ATIR against the orders of the CIR(A) which were decided by the ATIR in favour of the Bank in most of the issues. However, the department filed reference application before Honourable Islamabad High Court against the issues favouring the Bank. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 616.611 million for Tax Year 2010, Rs. 844.800 million for Tax Year 2011 and Rs. 321.531 million for Tax Year 2012. Being aggrieved the Bank filed appeals before CIR(A) against the Orders of Additional Commissioner (IR) who in its Order deleted the additions in most of the issues. ACIR on the directions of CIR(A) further issued orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier demand of Rs. 616.611 million to refund of Rs. 164.934 million, for Tax Year 2011 reducing the tax liability from Rs. 844.800 million to Rs. 619.849 million and for Tax Year 2012 reducing the tax liability from Rs. 321.531 million to Rs. 5.180 million respectively. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR(A). ATIR against the appeal filed by the Department for Tax Year 2011 and 2012 on the issues of substandard loans and reversal of provisions against compensated absences were disposed of by upholding the decision of CIR(A) about deletion of the same and also remanded back the similar addition in 2013 to A.O. with the direction to keep pending of reassessment in accordance to the provisions of Section 124A of Income Tax Ordinance, 2001 as the matter is sub judice before High Court against reference application filed by the Department against the Orders of ATIR which is decided in favour of the Bank. Further, by disposing off the appeals filed by the Bank in Tax Years 2010, 2011 and 2012 and remanded back the issue of property income and arithmetic error in Assessment Order to

A.O. for reassessment. On the directions of ATIR, ACIR issued appeal effect orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier refund of Rs. 164.934 million into demand of Rs. 419.221 million, for Tax Year 2011 reducing the tax liability from Rs. 619.849 million to Rs. 181.617 million and for Tax Year 2012 converted the tax liability from Rs. 5.180 million to refund of Rs.12.319 million respectively. CIR(A) upheld the orders of A.O. Being aggrieved Bank filed an appeal before ATIR. The Bank has not accounted for the demand as tax payable because favourable decision is expected.

- 23.2.6 ACIR passed order under section 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 4,920.168 million for Tax Year 2013. The Bank filed appeal before CIR(A) against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both filed appeals before ATIR against the orders of CIR(A) which were decided in favour of the Bank except for Rs. 2,830 million which were remanded back to ACIR. However, the department filed reference application before Honorable Islamabad High Court, Islamabad. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 829.428 million. Being aggrieved the Bank filed appeals before CIR(A) against the Orders of Additional Commissioner (IR) who decided the case in most of the issues in favour of the Bank, the appeal effects on the basis of CIR(A) is pending. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR(A). The ATIR disposed of both the appeals by remanding back the issues to A.O. In appeal effect order the Assessment officer after adjustment of available refund reduces the demand of Rs.829.428 million to refund amount of Rs. 8.702 million. Being aggrieved, the Bank filed appeal to ATIR. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.7 DCIR passed order under section 161 / 205 of the Income Tax Ordinance, 2001 and raised demand of Rs. 27.792 million for Tax Year 2009. To avail the Government amnesty, the Bank paid Rs. 19.183 million under protest with waiver of penalty amount of Rs. 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. The Bank filed appeal before ATIR against the orders of the CIR(A) who decided the case in favour of the Bank except remanded back the issue of profit on debt for verification. However, the department filed reference application before Honorable Islamabad High Court, Islamabad. The A.O. passed order u/s 124 read with 161 of the Income Tax Ordinance, 2001 and raised demand of Rs. 20.435 million on remanded back issue. The Bank filed appeal before CIR(A). The A.O. on the directions of CIR(A) further issued order u/s 124 / 161 / 205 converted the earlier demand to refund of Rs. 16.752 million by adding tax of Rs. 2.431 million on profit on debt. Being aggrieved the Bank filed appeal before ATIR against the orders of the CIR(A) and the same is pending for hearing. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.8 DCIR passed order under section 161 / 205 of Income Tax Ordinance, 2001 and raised demand of Rs. 15.943 million for Tax Year 2012. The Bank filed appeal before CIR(A) against the orders of DCIR. CIR(A) deleted various issues and confirmed certain issues resulting to reduce the tax demand from Rs. 15.943 million to Rs. 3.892 million. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). ATIR decided the case in favour of the Bank and cancelled the impugned order for which appeal effects are pending with A.O. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.



- 23.2.9 DCIR passed order u/s 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 3,059 million for the Tax Year 2014. Further, on a rectification application filed by the Bank, A.O. passed rectification order by reducing demand to Rs. 1,278 million by adjustment of refund of Rs. 1,776 million and arithmetic error of Rs. 14 million. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). The case has been remanded back by ATIR to A.O. for reassessment. Appeal effect order has been received with reduction of earlier demand to Rs. 889 million. CIR(A) remanded back the case to A.O. for reassessment. Being aggrieved the Bank filed appeal before ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 23.2.10 ACIR passed order u/s 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 5,549.705 million for the Tax Year 2015. The Bank filed appeal before CIR(A) against the orders of ACIR who upheld various issues ordered by ACIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A) and the same is pending for hearing. A.O. on the directions of CIR(A) passed an Order u/s 124 / 122(5A) and reduced the demand from Rs. 5,549.705 million to Rs. 4,266.194 million by allowing partial relief. ATIR while disposing of both appeals and remanded back most of the issues to A.O. for reassessment. Assessment proceedings were completed, and A.O. raised the demand from Rs. 4,266.194 million to Rs. 6,780.479 million. Being aggrieved the Bank filed appeal to CIR(A) who remanded back the case to A.O. by allowing partial relief. Being aggrieved against the CIR(A) orders Bank filed an appeal to ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 23.2.11 A.O. passed four assessment orders u/s 161 / 205 of the Income Tax Ordinance, 2001 regarding short deduction of tax under different sections of ITO-2001 for Tax Year 2015 and raised demand of Rs. 26.628 million u/s 155, Rs. 0.412 million u/s 153(1)(b), Rs.9.495 million u/s 149 and Rs.63.469 million u/s 151 respectively. Being aggrieved the Bank filed appeals before CIR(A) against the aforementioned orders of A.O. CIR(A) remanded back the case of Rs. 26.628 million for denovo consideration to A.O. Meanwhile, after reassessment of the said case, the Assessment officer passed the order by reducing demand from Rs. 26.628 million to Rs. 14.183 million. Being aggrieved the Bank filed an appeal to ATIR. The CIR(A) upheld the decision of Assessment Officer regarding demand of Rs. 0.412 million u/s 153(1)(b). Being aggrieved the Bank filed an appeal to ATIR. The CIR(A) annulled the assessment order of Rs. 9.495 million u/s 149, and in this respect, the assessment officer didn't issue the appeal effects order to date. CIR(A) remanded back case to the Assessment Officer of Rs. 63.469 million u/s 151 for issuance of speaking order. After reassessment of this case, Assessment Officer passed the appeal effect order u/s 124/161/205 by reducing the demand from Rs. 63.469 to Rs. 27.155 million. However, Bank filed a second appeal against demand of Rs. 27.155 million. Hence, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.12 ACIR passed order u/s 122(5A) of Income Tax Ordinance, 2001 and raised demand of Rs. 1,511.521 million for the Tax Year 2016. On the directions of ATIR, except property income A.O. allowed partial relief in his order. In appeal effect order A.O. converted the demand of Rs. 1,511.521 million into refund of Rs. 416.324 million. Being aggrieved the Bank filed an appeal to ATIR after receiving the CIR(A) orders who upheld the ACIR orders. ACIR passed two other assessment orders u/s 161/205 of Income Tax Ordinance, 2001 regarding Tax Year 2016 and raised demand of Rs. 63.243 million and 161.180 million regarding short deduction u/s 151 and u/s 149 of ITO, 2001 respectively. Being aggrieved Bank filed appeals to CIR(A) against these assessment orders. Meanwhile, on directions of CIR(A) the Assessment officer issued an appeal

effect order u/s 124/161/205 regarding short deduction of tax u/s 151 by reducing the demand from Rs. 63.243 million to Rs. 60.377 million whereas regarding short deduction u/s 149, CIR(A) annulled the orders of the Assessment Officer and in this respect the appeal effects u/s 124/161/205 are not yet issued by the assessment officer. However, Bank filed a second appeal against demand of Rs. 60.377 million. Hence, no provision has been made because the Bank is expecting a favourable decision.

- 23.2.13 A.O. passed orders u/s 161 of the Income Tax Ordinance, 2001 and raised demands of Rs. 3.076 million for Tax Year 2014, Rs 0.207 million and Rs. 2.270 million respectively for two cases of Tax Year 2015 against short deduction of withholding taxes under various heads. Being aggrieved the Bank filed appeals before CIR(A) who remanded back the case against the orders of A.O. for re-examination. The A.O. on the direction of CIR(A) issued appeal effects order by adjusting the earlier demand against tax refund of Tax Year 2010. On appeal, the CIR(A) remanded back the case to A.O. for speaking order. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.14 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 30.11.2021 and raised the demand of Rs. 361.752 million for the Tax Year 2017. However, this order rectified under section 221(1) vide order dated 27.12.2021 and created tax refundable of Rs.679.294 million for the Tax Year 2017. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.15 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 28.09.2022 and raised the demand of Rs. 12,870.191 million for the Tax Year 2018. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.16 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 14.01.2021 and raised the demand of Rs. 983.653 million for the Tax Year 2019. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.17 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 08.04.2021 and raised the demand of Rs. 4,085.176 million for the Tax Year 2020. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.18 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 27.12.2021 and raised the demand of Rs. 6,425.014 million for the Tax Year 2021. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.19 The cases relating to Federal Excise Duties / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012 were contested by the Bank at various forums. ATIR vide its orders dated May 07, 2012, January 08, 2013, November 26, 2013 and March 13, 2014 decided most of the issues involved in favour of the Bank. However, Commissioner Inland Revenue (CIR)

filed reference applications under section 47 of the Sales Tax Act, 1990 and under section 34A of the Federal Excise Act, 2005 against the aforementioned ATIR orders before the Honorable Islamabad High Court, Islamabad for the aforementioned years. No provision for such contingent liabilities amounting to Rs. 825.121 million has been recognized as the Bank is confident for a favourable outcome.

- 23.2.20 DCIR passed orders relating to FED for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 738.892 million and Rs. 681.109 million respectively. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR who remanded back the case to A.O. for denovo consideration. On remanded back cases by ATIR the A.O. upheld its initial orders. The Bank filed appeal before CIR(A) who upheld the orders of A.O. Being aggrieved the Bank filed appeals before ATIR against the orders of CIR(A). The ATIR in its order cancelled the Assessment Orders for the period January 2013 to December 2013 and January 2014 to December 2014, appeal effects are pending. However the department has filed reference application before Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.21 DCIR passed orders relating to Sales Tax for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 4.470 million (Rs. 1.822 million on advertisement and Rs. 2.647 million on fixed assets) and Rs. 13.295 million (Rs. 2.273 million on advertisement and Rs. 11.122 million on fixed assets) respectively. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). ATIR deleted the addition on fixed assets of Rs. 80.998 million on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses of Rs. 25.598 million on which tax amount of Rs. 4.096 million was involved. However, the department has filed reference application before Islamabad High Court, Islamabad on the issue of fixed asset deletion. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.22 Commissioner, Punjab Revenue Authority (PRA) passed order relating to Punjab Sales Tax on Services (withholding rules 2015) for the period January 2016 to December 2016 creating a demand of Rs. 10.06 million. The Bank filed appeal before Appellate Tribunal, PRA against the alleged order of Commissioner (PRA). The Appellate Tribunal, PRA remanded back the case to the Assessment Officer. The Learned DC (PRA) created demand of Rs.10.06 million. The bank filed Appeal before Commissioner, PRA. Commissioner Appeals (PRA) upheld the assessment order and being aggrieved bank has filed appeal before Appellate Tribunal (PRA). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.23 ATIR, Sindh Revenue Board (SRB) passed the order for the Sales Tax on Services for the period July 2011 to December 2011 creating demand of Rs 4.69 million. ATIR passed the order in favor of the bank wherein addition to Sales Tax against Postal Charges were deleted. However, SRB filed reference application before SHC, U/S 151 CPC 1908. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 23.2.24 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. Bank filed the appeal before the Commissioner, Sindh Revenue Board against the alleged decision of AC(SRB). Main Appeal along with stay application heard and further adjourned but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.25 Assistant Commissioner, Sindh Revenue Board (SRB) passed as order for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The Bank filed the appeal before the Commissioner, SRB against the alleged decision of AC (SRB). Main appeal along with stay application heard and further adjourned but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.26 Order was passed by Deputy Commissioner, FBR for Tax Year 2015/16 creating demand of Rs. 712 million. Appeal & Stay application filed before Commissioner (Appeals) against the impugned order. Hearing for Stay Application was rejected by the Commissioner (Appeals). However, ATIR directed the department to decide the case within 45 days and not to press for recovery of impugned dues without prior notice of 15 days. Further, Stay granted for 30 days by the Honorable High Court. Appellate Order received by the C (IR) confirming the decision of DC (IR). However, Appeal along with stay application filed before AT (IR). AT (IR) granted the stay of impugned demand till the decision of main appeal. However, case was heard and decided in favor of the bank. The department (FBR) has filed reference application before honorable Islamabad High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.27 An order was passed by Deputy Commissioner, IR (FBR) creating a demand of Rs. 29.121 million for Tax Year 2019 (Jan -2019 to Dec-2019). Appeal & Stay application filed before Commissioner (Appeals). Main appeal along with stay application heard and assessment order was remanded back to the assessing officer. Being aggrieved, both the bank and department (FBR) filed appeal before Appellate Tribunal (IR). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

	2022	2021
	Rupees in '000	
23.3 Commitments against		
Capital expenditure	404,071	154,229
Consultancy expenditure	5,628	5,628



	Note	2022 Rupees in '000	2021
24	MARK-UP / RETURN / INTEREST EARNED		
Loans and advances		15,828,212	15,561,244
Investments		19,017,858	4,597,748
Securities purchased under resale agreement		1,685,051	900,295
Call money lendings		759,478	366,966
Balances with banks		2,135,540	1,093,722
Bai Muajjal income		10,256	6,183
		<u>39,436,395</u>	<u>22,526,158</u>
25	MARK-UP / RETURN / INTEREST EXPENSED		
Deposits		3,597,115	2,990,979
Redeemable preference shares - SBP		4,084,615	4,084,615
Securities sold under repurchased agreement		16,907,440	3,122,706
Call borrowings		187,742	14,381
On lease liability against right-of-use assets		112,367	103,679
Bank commission and other charges		10,324	9,337
		<u>24,899,603</u>	<u>10,325,697</u>
26	FEE & COMMISSION INCOME		
Branch banking customer fees		38,839	35,388
Credit related fees		1,021,226	970,894
Commission / exchange gain / (loss) on remittances including home remittances		5,472	(8,163)
		<u>1,065,537</u>	<u>998,119</u>
27	GAIN / (LOSS) ON SECURITIES		
Realised	27.1	<u>32,879</u>	<u>15,006</u>
27.1 Realised gain / (loss) on: Federal Government Securities		<u>32,879</u>	<u>15,006</u>
28	OTHER INCOME		
Rent on property - KSSL - subsidiary company		5,936	5,297
Rent on property - others		31,631	46,829
		<u>37,567</u>	<u>52,126</u>
Gain on sale of fixed assets - net		5,022	11,076
Gain on sale of non banking assets - net	15.5.2	7,376	10,646
Deferred income amortization	20.3	528	556
Discount income		95,831	27,640
Others	28.1	34,508	38,956
		<u>180,832</u>	<u>141,000</u>
28.1 Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.			

	Note	2022 Rupees in '000	2021
29 OPERATING EXPENSES			
Total compensation expense	29.1	8,394,684	7,942,325
Property expense			
Rent & taxes		8,143	11,038
Insurance		15,557	15,201
Utilities cost		269,510	206,301
Repair and maintenance (including janitorial charges)		112,319	86,656
Depreciation - right of use assets		255,892	267,448
Depreciation	12.2	38,216	36,688
		699,637	623,332
Information technology expenses			
Software maintenance		4,198	2,533
Hardware maintenance		47,653	28,258
Depreciation	12.2	47,010	63,921
Amortisation	13	46,466	23,912
Network charges		134,859	67,179
		280,186	185,803
Other operating expenses			
Directors' fees and allowances		6,825	5,312
Fees and allowances to Shariah Board		3,617	4,851
Legal and professional charges		206,339	179,136
Outsourced services costs (refer note 35.1)		1,379,414	1,082,623
Travelling and conveyance		114,032	73,829
NIFT clearing charges		19,801	18,360
Depreciation	12.2	144,504	181,229
Training and development		9,964	6,672
Postage and courier charges		24,500	25,581
Communication		34,756	35,888
Stationery and printing		59,739	58,017
Marketing, advertisement and publicity		17,603	6,072
Auditors Remuneration	29.2	6,960	7,760
Donations	29.3	86,400	-
Motor vehicle expenses		511,634	322,286
Others		152,654	150,872
		<u>12,153,249</u>	<u>10,909,948</u>

	Note	2022 Rupees in '000	2021
29.1 Total compensation expense			
Salaries		3,947,558	4,428,955
Cash bonus / awards etc.		752,816	583,083
Charge / (reversal) for defined benefit plans:	38.6.5		
- Pension scheme		1,379,452	1,105,209
- Benevolent scheme - officers / executives		(16,439)	(10,982)
- Benevolent scheme - clerical / non-clerical		(62,045)	(50,502)
- Gratuity under old staff regulations		(13,599)	(11,643)
- Gratuity scheme - staff regulation 2005		98,537	110,490
- Employees' compensated absences		98,266	(170,990)
		1,484,172	971,582
Contribution to defined contribution plan	38.1.8	40,329	36,171
Rent and house maintenance		462,194	521,110
Utilities		99,911	114,114
Medical	29.1.1	1,441,174	1,138,980
Conveyance		166,530	148,330
Grand Total		<u>8,394,684</u>	<u>7,942,325</u>

29.1.1 This includes post retirement medical benefit amounting to Rs. 1,207.603 million (2021: Rs. 891.534 million).

29.2 Auditors' remuneration

	2022 Rupees in '000	2021
Audit fee	1,897	1,897
Fee for half year review	431	431
Other certifications	2,310	3,000
Sales tax	742	852
Out of pocket expenses	1,580	1,580
	<u>6,960</u>	<u>7,760</u>

29.3 Donations

Details of donations exceeding Rupees 0.5 million is as under;

-Prime Minister Flood Relief Fund, Government of Pakistan	50,000	-
-Akhawat Islamic Micro Finance, Lahore	15,000	-
-Narcotics Control / Canteen Store Department, Government of Pakistan	20,000	-
-NED University, Karachi	600	-
	<u>85,600</u>	<u>-</u>

30 OTHER CHARGES

Penalties imposed by SBP	-	76,359
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	Note	2022 Rupees in '000	2021
31 PROVISIONS AND WRITE-OFFS - NET			
Provisions against loans & advances	11.3.4	3,840,195	7,196,284
Fixed assets charged-off		442	-
Provision / (reversal) against other assets - net	15.7.1	(24,773)	(58,042)
Bad debts written off directly		41	-
Recovery of written off / charged off bad debts		(7,468,993)	(6,360,566)
		<u>(3,653,088)</u>	<u>777,676</u>
32 TAXATION			
Current	32.1	4,852,089	2,931,939
Deferred		(2,516,975)	586,317
		<u>2,335,114</u>	<u>3,518,256</u>
32.1 Relationship between income tax expense and accounting profit			
Accounting profit for the year		<u>7,457,961</u>	<u>1,783,016</u>
Tax rate		<u>43%</u>	<u>35%</u>
Tax on accounting income		3,206,923	624,056
Tax effect of permanent differences			
Penalties imposed by SBP		-	26,726
Repair allowance and rent collection allowance allowed against rental income		(3,877)	(4,379)
		(3,877)	22,347
Tax effect of prior years		-	-
Others		(867,932)	2,871,853
Tax charge for the year		<u>2,335,114</u>	<u>3,518,256</u>
		2022	2021
33 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
Profit / (loss) after tax for the year - Rupees in '000		<u>5,122,847</u>	<u>(1,735,240)</u>
Weighted average number of ordinary shares		<u>5,267,843,241</u>	<u>5,267,843,241</u>
Earnings / (loss) per share - basic and diluted (Rupees)		<u>0.97</u>	<u>(0.33)</u>
33.1 There is no dilutive effect on the basic earnings / (loss) per share of the Bank.			
	Note	2022 Rupees in '000	2021
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	2,580,409	5,026,023
Balances with other banks	8	12,615,369	26,815,652
		<u>15,195,778</u>	<u>31,841,675</u>



	2022	2021
	Number	
35 STAFF STRENGTH		
Permanent	4,163	4,539
Contractual	40	2
Total staff strength	4,203	4,541

35.1 In addition to the above, 3,296 (2021: 3,504) employees of Kissan Support Services (Private) Limited, fully owned subsidiary of the Bank, were assigned to the Bank as at the end of the year to perform other than guarding and janitorial services.

36 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 30, 2022 has reaffirmed credit rating of the Bank at AAA (2021: AAA) with stable outlook and short-term credit rating of A-1+ (2021: A-1+).

37 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2022 Rupees in '000	2021
Profit before taxation		7,457,961	1,783,016
Less: Dividend income		(142,082)	(192,413)
		7,315,879	1,590,603
Adjustments:			
Depreciation	12.2	229,730	281,838
Depreciation on right-of-use assets		255,892	267,448
Amortization	13	46,466	23,912
Amortization of deferred income	20.3	(528)	(556)
Markup on lease liability on right-of-use assets		112,367	103,679
Provisions and write-offs	31	3,815,905	7,138,242
Provision for employees post retirement medical benefits	38.6.5	1,207,603	891,534
Charge for defined benefit plans - net	29.1	1,484,172	971,582
Gain on securities		(32,879)	(15,006)
Gain on sale of operating fixed assets	28	(5,022)	(11,076)
		7,113,706	9,651,597
		14,429,585	11,242,200

38 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Bank operates the following retirement benefit plans for its employees:

- Pension Scheme - funded
- Benevolent Scheme - funded
- Employees Gratuity Scheme - funded
- Post Retirement Medical Benefits - unfunded
- Employees Compensated Absences - unfunded
- Defined Contribution Plan

38.1 Brief description of each fund is as follows:

38.1.1 Pension scheme

The Bank operates an approved pension scheme for employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives. The contributions are made on the basis of actuarial recommendation.

38.1.2 Benevolent scheme - officers

The Bank operates an approved funded benevolent scheme for all officers / executives of the Bank for which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 200, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.3 Benevolent scheme - staff

The Bank operates an approved funded benevolent scheme for all clerical / non-clerical staff for which contributions are made at different rates but not exceeding Rs. 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.4 Gratuity under old Staff Regulations - SSR 1961

For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

38.1.5 Gratuity under Staff Regulations - 2005 (SR-2005)

The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005. Contributions to this Fund are made by the Bank on the basis of actuarial valuation.

38.1.6 Post retirement medical benefits

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

38.1.7 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

38.1.8 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 1,885 (2021: 2,131) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made only by employees at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 2,271 (2021: 2,408) employees governed under SR-2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank, if their remaining service is more than ten years from the date of option / appointment, at the rate of 2% of monetized salary per month. During the year, the Bank contributed Rs. 40.329 million (2021: Rs.36.171 million) in respect of this fund.

The Bank has contributory provident fund scheme for benefit of all its permanent employees. The Funds are maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Bank. The titles of the funds are as follow;

Employees Provident Fund;
Employees Provident Fund (Officers);
Employees Provident Fund (Staff); and
Employees Contributory Provident Fund

The size of the Funds at the reporting date was Rs. 6,057.80 million (2021: Rs. 5,657.89 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 5,924.44 million (2021: Rs. 5,569.89 million) which is equal to 97.80% (2021: 98.44%) of the total fund size. The fair values of the investments amount to Rs. 6,057.80 million (2021: Rs. 5,657.89 million) at that date. The category wise break up of investment is given below:

	2022	2021
	Rupees in '000	
Term Deposit Receipts	3,037,000	4,298,800
Government securities	2,887,436	1,271,090
	<u>5,924,436</u>	<u>5,569,890</u>

38.2 Funding policy

Schemes are funded on the basis of actuarial recommendation subject to maximum permissible limits under Income Tax rules. Any deficit in defined benefit plans is to be met by the Bank.

38.3 Risks associated with defined benefit plans

Investment risk

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

38.4 Principal actuarial assumption

Latest actuarial valuation is carried out as at December 31, 2022. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2022	2021
%	
Valuation discount rate - pension & medical scheme under SSR-1961	14.50	11.75
Valuation discount rate - all other schemes	14.50	11.75
Expected rate of increase in salary	12.50	9.75
Expected rate of return on plan assets - pension fund	14.50	11.75
Expected rate of return on plan assets - other funds	14.50	11.75
Expected rate of increase in pension	10.25	7.50
Expected rate of medical inflation - allowances	12.50	9.75
Expected rate of medical inflation - hospitalization	14.50	11.75

38.5 Number of employees under the scheme

The number of employees (including beneficiaries) covered under the following defined benefit schemes are:

	2022	2021
	Number	
- Pension Scheme - funded	4,996	5,002
- Benevolent Scheme (officers) - funded	4,846	4,985
- Benevolent Scheme (staff) - funded	893	871
- Gratuity under old Staff Regulations - SSR 1961	-	-
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,271	2,408
- Post Retirement Medical Benefits - unfunded	6,093	6,283
- Employees Compensated Absences - unfunded	4,156	4,539

38.6.2 Movement in defined benefit obligations

	2022						
	Benevolent scheme		Gratuity		Post		
	Officers	Staff	SSR-1961	SR-2005	retirement medical	Employees compensated absences	
	Rs. in '000						
Pension							
Obligations at the beginning of the year	21,162,181	121,680	-	1,625,653	7,964,423	2,229,620	
Current service cost	321,996	3,245	-	165,786	294,524	50,930	
Interest cost	2,392,443	84,524	-	175,656	913,079	247,859	
Benefits paid	(1,601,924)	(113,618)	-	(261,421)	(387,079)	(240,371)	
Contribution - employees	-	(8,358)	-	-	-	-	
Re-measurement loss / (gain)	(2,503,387)	(150,243)	-	(117,611)	1,278,070	(200,523)	
Obligations at the end of the year	19,771,309	628,540	-	1,588,063	10,063,017	2,087,516	
	2021						
	Benevolent scheme		Gratuity		Post		
	Officers	Staff	SSR-1961	SR-2005	retirement medical	Employees compensated absences	
Pension							
Obligations at the beginning of the year	21,170,288	102,346	-	1,757,964	6,606,148	2,651,667	
Current service cost	288,140	2,904	-	148,354	263,556	45,571	
Interest cost	1,979,525	74,195	-	157,341	627,978	246,298	
Benefits paid	(1,734,930)	(109,382)	-	(288,423)	(330,702)	(251,057)	
Contribution - employees	-	(9,582)	-	-	-	-	
Transferred employees	-	-	-	-	-	-	
Re-measurement loss / (gain)	(540,842)	(30,601)	-	(149,583)	797,443	(462,859)	
Obligations at the end of the year	21,162,181	776,160	-	1,625,653	7,964,423	2,229,620	

38.6.3 Movement in fair value of plan assets

	2022					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
	Rs. in '000					
Fair value at the beginning of the year	12,062,461	1,177,638	663,198	115,744	2,105,447	-
Interest income on plan assets	1,334,987	132,680	77,335	13,599	242,905	-
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	-
Contributions - employer	200,182	8,358	1,487	-	185,085	-
Contributions - employees	-	8,358	1,487	-	-	-
Transferred from gratuity to pension	122,876	-	-	(122,876)	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	19,471	(16,237)	(7,528)	(6,467)	21,794	-
Fair value at the end of the year	12,138,053	1,197,179	722,950	-	2,293,810	-

	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
Pension						
	Rs. in '000					
Fair value at the beginning of the year	12,665,783	1,188,246	630,492	119,412	2,057,908	-
Interest income on plan assets	1,162,456	111,456	61,014	11,643	195,205	-
Benefits paid	(1,734,930)	(109,382)	(12,900)	-	(288,423)	-
Contributions - employer	248,620	9,582	1,742	-	176,806	-
Contributions - employees	-	9,582	1,742	-	-	-
Transferred from gratuity to pension	15,076	-	-	(15,076)	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	(294,544)	(31,846)	(18,892)	(235)	(36,049)	-
Fair value at the end of the year	12,062,461	1,177,638	663,198	115,744	2,105,447	-

38.6.4 Movement in payable / (receivable) under defined benefit schemes

		2022					
Pension	Benevolent scheme	Gratuity			Post retirement medical	Employees compensated absences	
		Officers	Staff	SSR-1961			SR-2005
		Rs. in '000					
Opening balance	-	-	(115,744)	(479,794)	7,964,423	2,229,621	
Charge / (reversal) for the year	(16,439)	(62,045)	(13,599)	98,537	1,207,603	98,266	
Re-measurement loss / (gain) recognised in OCI during the year	24,797	63,532	6,467	(139,405)	1,278,070	-	
Contribution to fund / benefits paid	(8,358)	(1,487)	-	(185,085)	(387,079)	(240,371)	
Transferred from gratuity to pension	-	-	122,876	-	-	-	
Closing balance	-	-	-	(705,747)	10,063,017	2,087,516	
		2021					
Pension	Benevolent scheme	Gratuity			Post retirement medical	Employees compensated absences	
		Officers	Staff	SSR-1961			SR-2005
		Rs. in '000					
Opening balance	-	-	(119,412)	(299,944)	6,606,148	2,651,667	
Charge / (reversal) for the year	(10,982)	(50,502)	(11,643)	110,490	891,534	(170,989)	
Re-measurement loss / (gain) recognised in OCI during the year	20,564	52,244	235	(113,534)	797,443	-	
Contribution to fund / benefits paid	(9,582)	(1,742)	-	(176,806)	(330,702)	(251,057)	
Transferred from gratuity to pension	-	-	15,076	-	-	-	
Closing balance	-	-	(115,744)	(479,794)	7,964,423	2,229,621	

Pension	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
-	-	-	-	-	-	-
(540,842)	(30,601)	21,722	-	(149,583)	797,443	-
294,544	31,846	18,892	235	36,049	-	-
-	19,320	11,630	-	-	-	-
(246,298)	20,565	52,244	235	(113,534)	797,443	-

Loss / (gain) on obligation :
 - financial assumptions
 - experience adjustment
 Return on plan assets over interest income
 Asset ceiling adjustment
 Total re-measurement recognised in OCI

38.6.6 Components of plan assets

Pension	2022					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
6,995,409	543,750	475,522	-	1,343,224	-	-
4,506,271	653,429	247,428	-	944,586	-	-
636,373	-	-	-	6,000	-	-
12,138,053	1,197,179	722,950	-	2,293,810	-	-

Cash and cash equivalents - net
 Government securities
 Debtors and creditors

Pension	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
8,245,145	510,190	420,949	270	1,188,188	-	-
2,959,518	667,468	242,268	115,492	915,277	-	-
857,799	(19)	(19)	(19)	1,981	-	-
12,062,462	1,177,639	663,198	115,743	2,105,446	-	-

Cash and cash equivalents - net
 Government securities
 Debtors and creditors

	Pension		Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005	SSR-1961	SR-2005		
	..... Rs. in '000							
38.6.7 Sensitivity analysis								
Current liability	19,771,309	105,587	-	1,588,063	10,063,017	2,087,516		
+1% discount rate	19,321,005	99,374	-	1,472,715	8,683,630	1,954,753		
-1% discount rate	23,550,013	112,551	-	1,724,830	11,798,747	2,243,142		
+1% salary increase	21,322,512	-	-	1,727,261	10,222,817	2,245,873		
-1% salary increase	20,521,909	-	-	1,468,895	9,915,591	1,950,365		
+1% pension increase / medical inflation rate	23,204,112	-	-	-	10,957,412	-		
-1% pension increase / medical inflation rate	19,577,383	-	-	-	8,062,132	-		
+10% withdrawal rates	19,773,285	-	-	1,589,882	-	-		
-10% withdrawal rates	19,769,331	-	-	1,586,112	-	-		
1 year mortality age set back	22,192,341	-	-	1,587,287	-	-		
1 year mortality age set forward	21,042,388	-	-	1,588,795	-	-		
38.6.8 Maturity profile								
Weighted average duration of obligation (in years)	10.69	6.24	0	7.94	16.24 for SSR-1961 5.86 for SR-2005	6.91		
38.6.9 Expected charge / (reversal) for next year	1,383,493	(88,781)	-	57,849	1,790,815	351,530		
38.6.10 Expected contribution for next year	211,954	1,673	-	125,821	-	-		

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

2022

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
Fees and Allowances etc.	105	3,985	177	-	-	-
Managerial Remuneration:						
Salaries	-	-	3,440	22,694	82,122	62,895
Cash bonus / awards etc.	-	-	-	-	9,288	14,474
Charge for defined benefit plan	-	-	-	-	5,560	4,803
Contribution to defined contribution plan	-	-	-	-	1,012	816
Rent & house maintenance	-	-	-	12,481	742	1,607
Utilities	-	-	-	712	186	402
Medical	-	-	-	948	167	377
Conveyance	-	-	-	-	656	434
Club Facility	-	-	-	2,398	-	-
Leave Fare Assistance	-	-	-	3,404	-	-
Total	105	3,985	3,617	42,637	99,733	85,808
Number of Persons	-	7	3	1	16	38

2021

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
Fees and Allowances etc.	-	3,320	256	-	-	-
Managerial Remuneration:						
Salaries	-	-	4,430	20,765	63,861	77,943
Cash bonus / awards etc.	-	-	165	-	17,785	12,470
Charge for defined benefit plan	-	-	-	-	4,889	6,657
Contribution to defined contribution plan	-	-	-	-	931	833
Rent & house maintenance	-	-	-	10,856	454	1,173
Utilities	-	-	-	469	113	293
Medical	-	-	-	353	102	270
Conveyance	-	-	-	650	634	276
Leave fare assistance	-	-	-	4,208	-	-
Total	-	3,320	4,851	37,301	88,769	99,915
Number of Persons	-	7	3	1	28	53

39.2 The Chief Executive, Key Management Personnel and other material risk takers / controllers, governed under SSR-1961, have been provided with Bank maintained cars whereas those governed by SR-2005, have been provided cars under Car Loan Depreciation Policy (CLDP).

39.3 Remuneration paid to Directors for participation in Board and Committee Meetings

2022

Sr. No.	Name of Director	Meeting Fees and Allowances Paid										Total Amount Paid
		For Board Meetings	For Annual General Meeting	For Board Committees							Risk	
				Audit	Product Development & Marketing	Information Technology & Agriculture Technology	Nomination	Human Resource Management	Procurement			
1	Mr. Nadeem Lodhi	80	-	-	-	-	-	-	25	-	-	105
2	Syed Javed	360	40	175	125	-	-	-	175	-	-	1,000
3	Mr. Zaigham Mahmood Rizvi	360	40	200	125	-	-	-	200	-	-	1,050
4	Mr. Haaris Mahmood Chaudhary	360	40	200	-	-	-	-	200	-	-	800
5	Mr. Abdul Ghufuran	80	-	-	75	-	-	-	25	-	-	180
6	Muhammad Aslam Ghauri	360	40	200	-	-	-	-	150	-	-	875
7	Mr. Zafar Hasan	80	-	-	-	-	-	-	-	-	-	80
	Total	1,680	160	775	325	-	-	-	775	-	-	4,090

2021

Sr. No.	Name of Director	Meeting Fees and Allowances Paid										Total Amount Paid
		For Board Meetings	For Annual General Meeting	For Board Committees							Risk	
				Audit	Product Development & Marketing	Information Technology & Agriculture Technology	Nomination	Human Resource Management	Procurement			
1	Mr. Nadeem Lodhi	280	40	-	-	-	-	-	125	-	-	445
2	Syed Javed	280	40	100	75	25	25	25	100	25	75	745
3	Mr. Zaigham Mahmood Rizvi	280	40	100	100	-	25	25	125	25	75	770
4	Mr. Haaris Mahmood Chaudhary	280	40	100	-	25	-	-	75	25	-	545
5	Mr. Abdul Ghufuran	120	-	-	100	-	-	25	125	-	-	370
6	Dr. Nawaz Ahmad	200	-	25	-	-	-	-	-	-	75	300
7	Mr. Muhammad Aslam Ghauri	80	40	25	-	-	-	-	-	-	-	145
	Total	1,520	200	350	275	50	75	75	550	75	225	3,320

39.4 Remuneration paid to Shariah Board Members

Items	2022			2021		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Meeting Fees and Allowances	-	-	177	104	-	152
Contractual salary	-	1,575	1,865	990	1,575	1,865
Cash bonus	-	-	-	-	102	63
Total	-	1,575	2,042	1,094	1,677	2,080
Total Number of Persons	0	1	1	1	1	1

..... Rupees in '000

40 FAIR VALUE MEASUREMENT

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, fixed term deposits and borrowings 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.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

40.1 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).

40.2 Valuation technique used & key inputs

Revaluation rates for Treasury Bills and Pakistan Investment Bonds are contributed by money market brokers on daily basis while for listed securities daily prices are shared by Pakistan Stock Exchange.

Investment in subsidiary and other unlisted securities have not been carried out at fair value in accordance with the SBP guidelines.

40.3 Fair value of financial assets

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:

	2022			Total
	Level 1	Level 2	Level 3	
..... Rupees in '000				
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	301,598,693	-	301,598,693
- Shares	2,527,334	-	-	2,527,334
- Debt securities (TFCs, Sukuk)	2,623,658	-	-	2,623,658
	<u>5,150,992</u>	<u>301,598,693</u>	<u>-</u>	<u>306,749,685</u>
Financial assets not measured at fair value				
- Subsidiary company	-	100,000	-	100,000
	<u>5,150,992</u>	<u>301,698,693</u>	<u>-</u>	<u>306,849,685</u>
2021				
	Level 1	Level 2	Level 3	Total
..... Rupees in '000				
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	77,128,568	-	77,128,568
- Shares	2,465,115	-	-	2,465,115
- Debt securities (TFCs, Sukuk)	2,713,562	-	-	2,713,562
	<u>5,178,677</u>	<u>77,128,568</u>	<u>-</u>	<u>82,307,245</u>
Financial assets not measured at fair value				
- Subsidiary company	-	100,000	-	100,000
	<u>5,178,677</u>	<u>77,228,568</u>	<u>-</u>	<u>82,407,245</u>

41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities:

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

	2022			
	Branch banking & agri financing	Treasury	Islamic banking	Total
	..... Rupees in '000			
Profit & Loss				
Net mark-up/return/profit	8,257,111	6,179,029	100,652	14,536,792
Inter segment revenue - net	1,464,705	(1,464,705)	-	-
Non mark-up / return / interest income	1,388,052	32,879	399	1,421,330
Total Income	11,109,868	4,747,203	101,051	15,958,122
Segment direct expenses	12,048,201	43,679	61,369	12,153,249
Inter segment expense allocation	-	-	-	-
Total expenses	12,048,201	43,679	61,369	12,153,249
Provisions	(3,653,088)	-	-	(3,653,088)
Profit before tax	2,714,755	4,703,524	39,682	7,457,961
Statement of Financial Position				
Cash & Bank balances	2,564,863	12,549,331	81,584	15,195,778
Investments	-	304,981,662	1,868,023	306,849,685
Net inter segment lendings	39,470,002	-	-	39,470,002
Lendings to financial institutions	-	37,071,867	2,551,275	39,623,142
Advances - performing	73,884,456	-	-	73,884,456
- non-performing (net of provision)	16,567,924	-	-	16,567,924
Others	34,713,749	4,197,471	60,238	38,971,458
Total Assets	167,200,994	358,800,331	4,561,120	530,562,445
Borrowings	54,461,536	299,893,550	543,627	354,898,713
Subordinated debt	-	-	-	-
Deposits & other accounts	44,116,154	-	3,216,540	47,332,694
Net inter segment borrowing	-	38,970,002	500,000	39,470,002
Others	26,075,814	3,012,484	60,165	29,148,463
Total Liabilities	124,653,504	341,876,036	4,320,332	470,849,872
Equity	58,817,547	913,828	(18,802)	59,712,573
Total Equity & Liabilities	183,471,051	342,789,864	4,301,530	530,562,445
Contingencies & Commitments	51,447,274	-	-	51,447,274

	2021			
	Branch banking & agri financing	Treasury	Islamic banking	Total
	..... Rupees in '000			
Profit & Loss				
Net mark-up/return/profit	8,592,684	3,533,500	74,277	12,200,461
Inter segment revenue - net	781,686	(781,686)	-	-
Non mark-up / return / interest income	1,331,014	15,006	518	1,346,538
Total Income	10,705,384	2,766,820	74,795	13,546,999
Segment direct expenses	10,882,587	41,871	61,849	10,986,307
Inter segment expense allocation	-	-	-	-
Total expenses	10,882,587	41,871	61,849	10,986,307
Provisions	777,676	-	-	777,676
Profit/(loss) before tax	(954,879)	2,724,949	12,946	1,783,016
Statement of Financial Position				
Cash & Bank balances	2,365,049	27,856,545	1,620,081	31,841,675
Investments	-	81,051,365	1,355,880	82,407,245
Net inter segment lending	40,057,611	-	-	40,057,611
Lendings to financial institutions	-	16,828,212	51,275	16,879,487
Advances - performing	74,456,385	-	-	74,456,385
- non-performing (net of provision)	17,365,922	-	-	17,365,922
Others	30,334,099	1,477,903	45,698	31,857,700
Total Assets	164,579,066	127,214,025	3,072,934	294,866,025
Borrowings	54,461,536	76,845,499	1,050,000	132,357,035
Subordinated debt	-	-	-	-
Deposits & other accounts	42,167,754	-	1,430,811	43,598,565
Net inter segment borrowing	-	39,557,611	500,000	40,057,611
Others	24,748,696	147,424	26,103	24,922,223
Total Liabilities	121,377,986	116,550,534	3,006,914	240,935,434
Equity	52,968,289	989,649	(27,347)	53,930,591
Total Equity & Liabilities	174,346,275	117,540,183	2,979,567	294,866,025
Contingencies & Commitments	38,378,832	-	-	38,378,832

41.2 Segment Details with respect to geographical locations

The Bank operates only in Pakistan and hence no geographical location wise disclosure is presented.

42 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

43 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its subsidiary company, employee benefit plans, Agriculture Technology Development Fund and the Bank's key management personnel.

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 38 to these financial statements. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to President, directors and executives and disposal of vehicles to employees are disclosed in note 39 and note 12.6 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Subsidiary company		Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2022	2021	2022	2021	2022	2021	2022	2021
Investments	100,000	100,000	-	-	-	-	-	-
Advances								
Opening balance	-	-	65,889	49,892	-	-	-	-
Addition	-	-	11,845	31,175	-	-	-	-
Repaid	-	-	(16,915)	(15,178)	-	-	-	-
Closing balance	-	-	60,819	65,889	-	-	-	-
Other assets								
Interest / mark-up accrued	-	-	9,397	9,099	-	-	-	-
Receivable at the end of the year	-	-	-	-	705,747	595,538	-	-
Deposits and other accounts								
Opening balance	1,049,461	985,203	5,762	5,927	10,239,704	9,695,509	219,488	205,600
Received during the year	3,888,226	3,630,170	184,167	96,265	38,047,598	22,770,608	422,633	383,884
Withdrawn during the year	(3,820,293)	(3,565,912)	(189,657)	(96,430)	(39,160,844)	(22,226,413)	(405,135)	(369,996)
Closing balance	1,117,394	1,049,461	272	5,762	9,126,458	10,239,704	236,986	219,488

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2022	2021
	... Rupees in '000 ...	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	51,474,650	46,641,416
Capital Adequacy Ratio:		
Eligible Common Equity Tier 1 (CET 1) Capital	49,561,886	44,965,422
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	49,561,886	44,965,422
Eligible Tier 2 Capital	2,476,117	2,498,563
Total Eligible Capital (Tier 1 + Tier 2)	52,038,003	47,463,985
Risk Weighted Assets (RWAs):		
Credit Risk	124,983,113	120,713,094
Market Risk	5,054,675	4,930,225
Operational Risk	24,428,975	20,987,838
Total	154,466,763	146,631,157
Common Equity Tier 1 Capital Adequacy Ratio	32.09%	30.67%
Tier 1 Capital Adequacy Ratio	32.09%	30.67%
Total Capital Adequacy Ratio	33.69%	32.37%

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2022 stands at Rs. 52.678 billion and is in compliance with the SBP requirement. In addition, the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 11.50% (2021: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2022 is 33.69% (2021: 32.37%) of its risk weighted exposure.

	2022	2021
	... Rupees in '000 ...	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	49,561,886	44,965,422
Total exposures	491,428,983	331,810,281
Leverage ratio	10.09%	13.55%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	28,539,604	19,761,909
Total Net Cash Outflow	3,922,893	2,714,031
Liquidity Coverage Ratio	728%	728%
Net Stable Funding		
Total Available Stable Funding	171,167,420	143,009,369
Total Required Stable Funding	132,439,520	112,581,390
Net Stable Funding Ratio	129%	127%

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is placed on the website of the Bank. The link to the full disclosure is available at <http://www.ztbl.com.pk>.

45 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity and operational risks.

Risk management is a dynamic process of identification, measurement and monitor and control risks with the aim to optimize risk-reward trade-off. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, enterprise risk management division and its departments responsible for each category of risk i.e. Loan Review, IT risk, Collateral Management and Portfolio analytics covering Portfolio credit risk, market & liquidity risk, operational and equity position risks. The Bank's risk management function is independent of the business and operations and directly reports to the President through Divisional Head. The Bank's systematic and integrated risk management function for each category of risk is as follows:

45.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio. The Bank's credit appraisal structure is well-defined. Credit appraisal, approval and review methods are integral parts of lending operations. The credit portfolio is reviewed and analyzed on quarterly basis and reports are submitted to the Management for decision making.

The Obligor Risk Rating (ORR) model for fresh borrowers is in place as the credit risk rating of the borrower is a concise indicator to evaluate Bank's credit exposure. An internal rating system categorizes all credits into various classes on the basis of underlying credit quality. The ultimate objective of the system is to generate accurate and consistent risk ratings and portfolio monitoring / analysis.

Regarding Basel Accords compliance, the Bank has implemented Standardized Approach (SA) for calculation of capital charge against credit risk weighted assets.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.1 Lendings to financial institutions

Credit risk by public/ private Sector

	Gross Lending		Non-performing		Provision held	
	2022	2021	2022	2021	2022	2021
	..... Rupees in '000					
Public / Government	38,623,142	14,968,565	-	-	-	-
Private	1,000,000	1,910,922	-	-	-	-
	<u>39,623,142</u>	<u>16,879,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	51,165,593	38,111,241
Individuals	281,681	267,591
	<u>51,447,274</u>	<u>38,378,832</u>

Credit risk by public / private sector

Public / Government	50,400,405	37,492,458
Private	1,046,869	886,374
	<u>51,447,274</u>	<u>38,378,832</u>

45.1.5 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad including Gilgit-Baltistan
Punjab	59,684,400	-	-	-	-	-
Sindh	5,554,110	-	5,554,110	-	-	-
KPK including FATA	3,027,014	-	-	3,027,014	-	-
Balochistan	281,335	-	-	-	281,335	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit Baltistan	1,084,418	-	-	-	-	1,084,418
Total	<u>69,631,277</u>	<u>59,684,400</u>	<u>5,554,110</u>	<u>3,027,014</u>	<u>281,335</u>	<u>1,084,418</u>

2021

Utilization

Province / Region	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	58,181,554	-	-	-	-	-	-
Sindh	6,415,189	-	6,415,189	-	-	-	-
KPK including FATA	3,071,683	-	-	3,071,683	-	-	-
Balochistan	248,623	-	-	-	248,623	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	1,244,765	-	-	-	-	-	1,244,765
Total	69,161,814	58,181,554	6,415,189	3,071,683	248,623	-	1,244,765

..... Rupees in '000

45.2 Market Risk

The Bank is not involved in commercial activities like forex trading and derivative market operations. Investment portfolio of the Bank is being placed mainly in fixed income securities such as Market Treasury Bills, Pakistan Investment Bonds, etc. and the only market risk inherent in the said portfolio is interest rate risk which is being calculated through marking to market and further Bank's resilience is gauged through stress testing scenarios and interest rate sensitivity analysis.

45.2.4 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted quarterly to assess the impact of a changes in the yield curve on Bank's capital.

	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk							Not 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
2022												
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		2,580,409	-	-	-	-	-	-	-	-	-	2,580,409
Balances with other banks	15.84%	12,615,369	12,615,369	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	16.33%	39,623,142	39,387,706	235,436	-	-	-	-	-	-	-	-
Investments - net	16.47%	306,749,685	19,147,639	225,203,609	351,275	10,997,304	1,129,060	1,171,741	-	-	-	2,627,335
Advances - net	14.85%	90,452,380	9,344,293	6,234,951	8,741,522	14,117,032	19,197,177	2,750,112	64,511	-	-	101,862
Other assets - net		18,607,506	-	-	-	-	-	-	-	-	-	18,607,506
		470,628,491	80,495,007	231,673,996	9,092,797	48,780,499	27,242,143	25,114,336	3,921,853	64,511	-	23,917,112
Liabilities												
Bills payable		580,505	-	-	-	-	-	-	-	-	-	580,505
Borrowings	14.64%	354,898,713	67,871,739	232,565,438	-	-	-	-	54,461,536	-	-	-
Deposits and other accounts	9.52%	47,332,694	9,802,914	5,995,227	1,522,272	8,888	82,430	50,000	600,000	-	-	6,020,005
Other liabilities		27,248,706	-	-	-	-	-	-	-	-	-	27,248,706
		430,060,618	77,674,653	238,560,665	1,522,272	23,250,958	8,888	82,430	54,511,536	600,000	-	33,849,216
On-balance sheet gap		40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511	(9,932,104)
Net non-financial assets		19,144,700	-	-	-	-	-	-	-	-	-	-
Total net assets		59,712,573	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap												
Total yield / interest risk sensitivity gap		40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511	(9,932,104)
Cumulative yield / interest risk sensitivity gap		2,820,354	(4,066,315)	3,504,210	29,033,751	56,267,006	81,298,912	47,113,613	50,435,466	50,499,977	40,567,873	

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

	Rupees in '000	Rupees in '000
Total financial assets	470,628,491	430,060,618
Add non-financial assets:		
Investment in subsidiary company	100,000	1,319,252
Operating fixed assets and intangible	2,474,010	431,379,870
Deferred tax assets - net	15,036,259	
Other assets	2,853,683	
Total assets as per statement of financial position	491,092,443	
Total financial liabilities		
Add non-financial liabilities:		
Other liabilities		
Total liability as per statement of financial position		

2021

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk						Not 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	Above 10 years
		Rupees in '000								
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	5,026,023	-	-	-	-	-	-	-	5,026,023	
Balances with other banks	26,815,652	-	-	-	-	-	-	-	-	
Lending to financial institutions	16,879,487	-	-	-	-	-	-	-	-	
Investments - net	82,307,245	12,446,401	16,894,027	12,523,976	3,764,137	551,275	22,773,195	7,695,277	2,843,577	
Advances - net	91,822,307	14,617,605	7,720,178	14,663,274	18,151,844	11,034,742	9,977,455	13,298,322	2,150,738	
Other assets - net	13,831,316	-	-	-	-	-	-	-	-	76,540
	236,682,030	70,759,145	24,614,205	27,187,250	21,915,981	11,586,017	32,750,650	20,993,599	4,994,315	76,540
Liabilities										
Bills payable	442,401	-	-	-	-	-	-	-	-	442,401
Borrowings	132,357,035	20,186,607	57,708,892	-	-	-	-	54,461,536	-	-
Deposits and other accounts	43,598,565	8,622,758	16,588,564	9,428,317	2,124,233	63,700	72,451	80,000	-	6,618,542
Other liabilities	23,425,539	-	-	-	-	-	-	-	-	23,425,539
	199,823,540	28,809,365	74,297,456	9,428,317	2,124,233	63,700	72,451	54,541,536	-	30,486,482
On-balance sheet gap	36,858,490	41,949,780	(49,683,251)	17,758,933	19,791,748	11,522,317	32,678,199	(33,547,937)	4,994,315	76,540
Net non-financial assets	17,039,774	-	-	-	-	-	-	-	-	-
Total net assets	53,898,264	-	-	-	-	-	-	-	-	-
Off-balance sheet gap										
Total yield / interest risk sensitivity gap	36,858,490	41,949,780	(49,683,251)	17,758,933	19,791,748	11,522,317	32,678,199	(33,547,937)	4,994,315	76,540
Cumulative yield / interest risk sensitivity gap	41,949,780	(7,733,471)	10,025,462	29,817,210	41,339,527	74,017,726	40,469,789	45,464,104	45,540,644	36,858,490
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:										
	Rupees in '000									
Total financial assets	236,682,030	Total financial liabilities								
Add non-financial assets:		Add non-financial liabilities:								
Investment in subsidiary company	100,000	Other liabilities								
Operating fixed assets and intangible	2,513,682	Total liability as per statement of financial position								
Deferred tax assets - net	13,230,217									
Other assets	2,282,485									
Total assets as per statement of financial position	254,808,414									
		Rupees in '000								
		199,823,540								
		1,086,610								
		200,910,150								

45.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Operational Loss Event Data Collection. This model has been successfully implemented in all Bank wide entities. The data of the Operational Risk Model is collected and analyzed on quarterly basis and results are elevated to senior management / Internal Risk Management Committee.

With regards to Basel Accords compliance, the Bank has implemented Basic Indicator Approach (BIA) to calculate capital charge against operational risk weighted assets. Disaster recovery and business continuity plan includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

45.4 Liquidity risk

Liquidity risk is the major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. Liquidity risk is being calculated by maturity ladder of balance sheet items, liquidity stress testing, regulatory returns on liquidity standards under Basel III, and different analysis for management purpose.

45.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

2022

	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	Above 5 years
Assets														
Cash and balances with treasury banks	2,580,409	2,580,409	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	12,615,369	12,518,846	-	-	-	-	-	-	96,523	-	-	-	-	-
Lending to financial institutions	39,623,142	-	38,071,867	-	308,191	235,436	-	51,275	(543,627)	-	-	-	-	-
Investments - net	306,849,685	-	-	1,500,000	20,000,000	28,059,000	205,530,000	7,845,900	17,905,454	12,545,500	12,545,500	2,025,000	11,218,921	1,699,910
Advances - net	90,452,380	1,588,601	478,350	617,914	3,701,043	3,097,366	2,310,839	21,585,362	6,809,433	13,336,747	13,336,747	9,503,391	17,457,126	2,430,117
Fixed assets	2,400,851	-	-	725,258	-	-	17,458	5,341	88,371	188,836	188,836	136,610	445,014	793,963
Intangible assets	73,159	-	-	-	-	-	-	-	-	55,903	55,903	17,256	-	-
Deferred tax assets - net	15,036,259	-	-	-	-	-	-	-	15,036,259	-	-	-	-	-
Other assets	21,461,189	392,899	84,987	110,685	5,146,069	1,231,722	800,230	1,161,342	2,049,724	9,524,580	354,433	119,359	349,755	1,35,404
	491,092,443	17,080,755	38,635,204	2,228,599	29,880,561	32,623,524	208,678,527	30,649,220	9,585,815	48,916,993	26,481,419	11,801,616	29,470,816	5,059,394
Liabilities														
Bills payable	580,505	580,505	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	354,898,713	-	34,100,000	-	36,308,191	225,572,613	5,000,000	-	(543,627)	-	-	-	54,461,536	-
Deposits and other accounts	47,332,694	14,815,799	78,499	150,000	781,999	400,000	5,595,227	1,728,441	293,444	22,747,967	8,888	82,430	50,000	600,000
Other liabilities	28,567,958	-	-	-	230,479	45,856	4,381,195	23,287	355,683	23,520,185	68	1,261	765	9,179
	431,379,870	15,396,304	34,178,499	150,000	37,320,669	226,018,469	14,976,422	1,751,728	649,127	45,724,525	8,956	83,691	54,512,301	609,179
Net assets	59,712,573	1,684,451	4,456,705	2,078,599	(7,440,108)	(193,394,945)	193,702,105	28,897,492	8,936,688	3,192,468	26,472,463	11,717,925	(25,041,485)	4,450,215
Share capital	52,678,432	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	7,324,095	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated loss	(1,203,782)	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	913,828	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>59,712,573</u>													

2021

Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	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	Above 5 years
5,026,023	5,026,023	-	-	-	-	-	-	-	-	-	-	-
26,815,652	14,815,652	-	8,000,000	-	-	-	-	-	-	-	-	-
16,879,487	-	10,828,212	4,000,000	-	-	-	-	-	-	-	-	-
82,407,245	-	-	6,000,000	-	-	-	-	-	51,275	-	-	-
91,822,307	2,260,329	2,058,567	10,500,000	9,425,000	8,000,000	13,250,000	3,750,000	244,567	21,000,000	7,295,500	3,538,726	2,903,452
2,477,865	-	-	3,785,358	3,639,460	3,314,885	13,214,395	8,308,163	27,255,411	7,028,551	6,969,112	10,954,237	1,937,648
35,817	-	-	244,221	-	14,829	234,205	-	23,213	236,030	137,168	362,799	1,225,400
13,230,217	-	-	-	-	580	-	-	13,230,217	-	35,237	-	-
16,146,129	230,813	194,004	108,636	474,319	539,893	1,214,260	681,735	7,969,155	304,961	297,645	109,862	131,867
254,840,742	22,332,817	13,080,783	13,704,827	26,418,558	11,870,187	27,912,860	12,739,898	48,722,563	28,620,817	14,734,662	14,965,624	6,198,367
442,401	442,401	-	-	-	-	-	-	-	-	-	-	-
132,357,035	-	20,550,000	-	33,000,000	24,345,499	-	-	-	-	-	-	54,461,536
43,598,565	13,488,586	80,000	1,144,100	8,002,684	8,585,881	9,473,317	1,637,299	441,878	63,700	72,451	80,000	-
24,512,149	-	-	2,136,765	180,587	1,579,781	2,212,577	46,250	1,026,510	2,120,692	2,106,315	4,379,146	8,723,526
200,910,150	13,930,987	20,630,000	528,669	41,183,271	34,511,161	11,685,894	1,683,549	1,468,388	2,184,392	2,178,766	4,459,146	63,185,062
53,930,592	8,401,830	(7,549,217)	13,176,158	(27,644,492)	(22,640,974)	16,226,966	11,056,349	47,254,175	26,436,425	12,555,896	10,506,478	(56,986,695)
	52,678,432											
	6,299,526											
	(6,037,016)											
	989,649											
	53,930,591											

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments - net
Advances - net
Fixed assets
Intangible assets
Deferred tax assets - net
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities

Net assets

Share capital
Reserves
Unappropriated profit
Surplus on revaluation of assets

46 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 MAR 2023 by the Board of Directors of the Bank.

48 GENERAL

The figures in the financial statements are rounded off to the nearest thousand rupees.


President


Chief Financial Officer


Director


Director


Director

Annexure-I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2022

1 Sr. No.	2 Name and address of the borrower	3 Name of individual/ partners/ directors	4 CNIC number	5 Father's / husband's name	6 Outstanding liabilities at beginning of the year				9 Total	10 Principal written off	11 Interest/ markup written-off / waived	12 Other financial relief provided	13 Total (10+11+12)
					6 Principal	7 Interest/ markup	8 Others	9 Total					
1	Liaquat Ali	Liaquat Ali	2950580458337	Muhammad Ismail	306.868	46.698	-	353.566	306.868	517.292	-	824.160	
2	Muhammad Hanif	Muhammad	30158318858	Muhammad Ramzan	607.705	398.166	-	1,005.871	607.705	398.166	-	1,005.871	
					914.573	444.864	-	1,359.437	914.573	915.458	-	1,830.031	

..... Rupees in '000

ISLAMIC BANKING BUSINESS

The bank is operating 5 (2021: 5) Islamic banking branches at the end of the year.

	Note	2022 Rupees in '000	2021
ASSETS			
Cash and balances with treasury banks		54,914	153,794
Balances with other banks		26,670	1,466,287
Due from financial institutions	1	2,551,275	51,275
Investments	2	1,868,023	1,355,880
Islamic financing and related assets - net		-	-
Fixed assets		5,941	7,595
Intangible assets		-	-
Due from Head Office		-	-
Other assets		54,297	38,103
Total Assets		4,561,120	3,072,934
LIABILITIES			
Bills payable		1,367	1,572
Due to financial institutions		543,627	1,050,000
Deposits and other accounts	3	3,216,540	1,430,811
Due to Head Office	4	259,590	93,367
Subordinated debt		-	-
Other liabilities		58,798	24,531
		4,079,922	2,600,281
NET ASSETS		481,198	472,653
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		(25,955)	(14,049)
Accumulated loss	5	7,153	(13,298)
		481,198	472,653
CONTINGENCIES AND COMMITMENTS	6		

Annexure - II

The profit and loss account of the Bank's Islamic banking branches for the year ended is as follows:

	Note	2022 Rupees in '000	2021
Profit / return earned	7	377,751	231,933
Profit / return expensed	8	277,099	157,656
Net Profit / return		100,652	74,277
Other income			
Fee and Commission Income		399	480
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	38
Other Income		-	-
Total other income		399	518
Total Income		101,051	74,795
Other expenses			
Operating expenses		61,369	61,849
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		61,369	61,849
Loss before provisions		39,682	12,946
Provisions and write offs - net		-	-
Loss before taxation		39,682	12,946
Taxation		19,231	4,636
Loss after taxation		20,451	8,310

	2022	2021
	Rupees in '000	
3 Deposits		
Customers - local currency		
Current deposits	125,292	72,701
Savings deposits	2,952,183	1,168,788
Term deposits receipts	134,668	189,310
Others	4,397	12
	3,216,540	1,430,811
Financial Institutions		
Term deposits receipts	-	-
	<u>3,216,540</u>	<u>1,430,811</u>
3.1 Composition of deposits		
- Individuals	216,489	72,712
- Non-Banking Financial Institutions	2,590,982	1,168,789
- Private Sector	52,223	
-Govt./Public Sector Entities	356,846	189,310
	<u>3,216,540</u>	<u>1,430,811</u>
3.2	This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 265.845 million (2021: Rs. 209.753 million).	
4	Due from head office represents inter branch transactions such as depreciation transferred and assets procurement etc.	
	2022	2021
	Rupees in '000	
5 Islamic Banking Business Unappropriated Profit		
Opening Balance	(13,298)	(21,608)
Add: Islamic Banking period for the year	39,682	12,946
Less: Taxation	19,231	4,636
Closing Balance	<u>7,153</u>	<u>(13,298)</u>
6	There are no contingencies and commitments related to the islamic business as at reporting date. (2021: Nil)	
7 Profit / return earned of financing, investments and placement		
Profit earned on:		
Investments	201,212	82,208
Placements	176,539	149,725
Total	<u>377,751</u>	<u>231,933</u>

	2022	2021
	Rupees in '000	
8 Profit on deposits and other dues expensed		
Deposits and other accounts	174,172	144,282
Commission and other charges	154	86
Call borrowings/ Funds acceptances	102,773	13,288
	277,099	157,656

9 Pool Management

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining five pools for profit declaration and distribution i.e., general pool, special pool 1, special pool 2, special pool 4 and special pool 5.

General pool

The General Pool comprises of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from ZTBL Head Office. The Bank acts as fund manager (Mudarib) and invests the funds in shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on the basis of daily product balance in mudaraba based depositors' accounts and paid as per pre-defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period of deposits;
- Frequency of profit distribution, i.e. monthly, quarterly or on maturity; and
- Volume of the deposit.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of general

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah



- compliant organizations as regulated in Pakistan;
- Element of risk attributed to various types of investments; and
- SBP rules & Shariah Clearance.

Special pool

The special pools comprise of depositors' funds, Bank's equity inclusive of current deposits and Mudaraba placements from head office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages. While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.;
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity; and
- Magnitude of risk.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of special pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from principal office, Islamic banking institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attached to various types of investments; and
- SBP rules & Shariah Clearance.

Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

	2022	2021
	Rupees in '000	
Investments	1,868,023	1,355,880
Due from financial institutions	2,551,275	51,275
Balances with other banks	26,670	1,466,287

Charging expenses

The direct expenses are charged to the pool, while indirect expenses including the establishment cost is borne by ZTBL - IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, cost of sale of inventories, insurance / takaful expenses of pool assets, taxes, stamp fee or documentation charges, brokerage fee for purchase of securities / commodities, impairment / losses due to physical damages to specific assets in pools, write-offs of financings and loss on sale of investments, etc.

	2022	2021
	Rupees in '000	
Provisions	-	-

Mudarib share (in amount and percentage of distributable income)

		2022	2021
		Rupees in '000	
	%		
Rabbul Mal	86%	153,599	149,844
Mudarib	14%	25,054	21,974
		178,653	171,818

Amount & percentage of mudarib share transferred to depositors through Hiba

	2022	2021
Mudarib share	25,054	21,974
Hiba	9,641	7,109
Hiba percentage of mudarib share	38.48%	32.35%

This is not a special Hiba and it has been distributed across the board to all the investment account holders.

Profit rate earned vs profit rate distributed to the depositors during the year

	2022	2021
Profit rate earned	10.33% p.a.	9.18% p.a.
Profit rates distributed to depositors	7.50% p.a.	8.87% p.a.

CONSOLIDATED FINANCIAL STATEMENTS



INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ZARAI TARAQIATI BANK LIMITED (ZTBL)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of ZARAI TARAQIATI BANK LIMITED and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 ethical 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S.No.	Key Audit Matters	How the matter was addressed in our audit
1.	Provision against advances	
	<p>The Group's credit portfolio is comprised of agriculture financing which includes Farm Credits and Non-Farm Credits to small farmers and low-income households.</p> <p>As per the Group's accounting policy {refer note 6.4 and 6.31(b) to the consolidated financial statements}, the Group determines provision against non-performing advances on time-based criteria in accordance with the requirements of Prudential Regulations for Agriculture Financing (PRs) of State</p>	<p>Our audit procedures in respect of classified portfolio and provision thereon included the following:</p> <ul style="list-style-type: none"> We reviewed the design and operating effectiveness of the Group's manual and automated process including general IT controls for identification and classification of non-performing advances, classification of these advances to correct non-performing advances category and accurate computation of provisions.



	<p>Bank of Pakistan (SBP) and which is supplemented by a subjective provision based upon management's judgment.</p> <p>The Group's advances represent 18% of its total assets and are stated at Rs. 90,452 million which are net of provision of Rs. 17,171 million as at December 31, 2022.</p> <p>In view of the magnitude of advances, involvement of significant management's judgement and reliance on IT control environment, we identified provision against advances as a key audit matter.</p> <p>Refer note 11 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> We performed substantive procedures on sample basis to check the classification of advances and to assess that the provision is in line with the requirements of the applicable Prudential Regulations. We evaluated the management's assessment for classification of individual loan facilities as performing or non-performing based on review of repayment pattern, assessment of number of days overdue and inspection of credit documentation. We selected a representative sample of borrowers and assessed the appropriateness of amount reported for provision through review of borrowers' individual statements, analysis of repayment history, computation of number of days past due and compliance with the applicable PRs. In respect of the level of general provision maintained by the Group and specific provision recognized, we discussed the approach and policy followed by the Group with the management. We also reviewed adequacy of disclosures as included in note 11 to the consolidated financial statements regarding the non-performing advances and provisions recognized for the same in accordance with the requirements of the applicable financial reporting framework.
2.	Valuation of Investments	
	<p>The Group's investments include Government securities, listed and unlisted shares and debt securities classified as available for sale and investment in subsidiary comprising 62% of total assets amounting to net investments of Rs. 306,750 million as at December 31, 2022.</p> <p>These investments are carried at fair value in accordance with the Group's accounting policy relating to their measurement. Provision against investment in unlisted shares classified as available for sale is made based on the impairment policy of the Group which comprises of subjective factors.</p> <p>We identified the investments as a key audit matter because the Group has reported a significant increase in its investments during the year in relation to the consolidated financial statements and the use of management judgment in determination of impairment.</p>	<p>Our audit procedures in respect of valuation of investments mainly included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of and testing the design and operational effectiveness of the controls relating to the valuation and assessment of the methodology and the appropriateness of the valuation models to value available for sale investments. Checking on a sample basis, the valuation of Government securities and debt securities to supporting documents and market prices. Comparing the cost of each equity investments to its market value to determine the valuation and recognition as per the policy of the Group. Evaluated the management assessment in respect of valuation and impairment of investment

	Refer note 10 to the consolidated financial statements.	<p>in un-listed shares.</p> <ul style="list-style-type: none"> Assessing the completeness and accuracy of the disclosures relating to investments classified as available for sale and compliance with disclosure requirements laid down by the State Bank of Pakistan.
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Information Other than the Consolidated Financial Statements and Auditors Report Thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditors Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors 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 as applicable in Pakistan 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the consolidated 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 auditors report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statement. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit Opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors report is Iffat Hussain.

ISLAMABAD
DATED: 07 MARCH 2023
UDIN: AR202210094QNFeiaYfH

Bdo ebrahim & co .
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
Bdo

ZARAI TARAQIATI BANK LIMITED

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

BDO Ebrahim & Co.
Chartered Accountants

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022


	Note	2022 Rupees in '000	2021
ASSETS			
Cash and balances with treasury banks	7	2,580,409	5,026,023
Balances with other banks	8	12,615,407	26,815,701
Lendings to financial institutions	9	39,623,142	16,879,487
Investments - net	10	306,749,685	82,307,245
Advances - net	11	90,452,380	91,822,307
Fixed assets	12	2,407,548	2,487,256
Intangible assets	13	73,159	35,817
Deferred tax assets - net	14	15,173,017	13,355,560
Other assets - net	15	21,502,437	16,170,254
		491,177,184	254,899,650
LIABILITIES			
Bills payable	17	580,505	442,401
Borrowings	18	354,898,713	132,357,035
Deposits and other accounts	19	46,127,301	42,495,389
Liabilities against assets subject to finance lease		-	-
Subordinated loan		-	-
Deferred tax liabilities - net		-	-
Other liabilities	20	28,945,873	24,814,388
		430,552,392	200,109,213
NET ASSETS			
		60,624,792	54,790,437
REPRESENTED BY			
Share capital	21	52,678,432	52,678,432
Reserves		7,324,095	6,299,526
Surplus on revaluation of assets - net of tax	22	913,828	989,649
Un-appropriated loss		(291,563)	(5,177,170)
		60,624,792	54,790,437
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 48 and annexures I & II form an integral part of these consolidated financial statements.


President


Chief Financial Officer


Director


Director


Director

**ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022**


	Note	2022 Rupees in '000	2021
Mark-up / return / interest earned	24	39,436,395	22,526,158
Mark-up / return / interest expensed	25	24,782,207	10,244,200
Net mark-up / interest income		14,654,188	12,281,958
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	1,065,537	998,119
Dividend income		142,082	192,413
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities	27	32,879	15,006
Other income	28	161,058	158,452
Total non-mark-up / interest income		1,401,556	1,363,990
Total income		16,055,744	13,645,948
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	12,172,515	11,088,899
Workers welfare fund		-	-
Other charges	30	-	76,359
Total non mark-up / interest expenses		12,172,515	11,165,258
Profit before provisions		3,883,229	2,480,690
Provisions and write offs - net	31	(3,653,088)	777,676
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		7,536,317	1,703,014
Taxation	32	2,359,030	3,503,174
PROFIT / (LOSS) AFTER TAXATION		5,177,287	(1,800,160)
..... Rupees			
Basic earnings / (loss) per share	33	0.98	(0.34)
Diluted earnings / (loss) per share	33	0.98	(0.34)

The annexed notes 1 to 48 and annexures I & II form integral part of these consolidated financial statements.


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

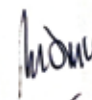
	2022	2021
	... Rupees in '000 ...	
Profit / (loss) after taxation for the year	5,177,287	(1,800,160)
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	-	-
Movement in surplus on revaluation of investments - net of tax	(75,821)	(689,398)
	(75,821)	(689,398)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	732,889	(307,856)
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
	732,889	(307,856)
Total comprehensive income / (loss)	<u>5,834,355</u>	<u>(2,797,414)</u>

The annexed notes 1 to 48 and annexures I & II form an integral part of these consolidated financial statements.


President


Chief Financial Officer


Director


Director


Director

**ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
	..... Rupees in '000					
Balance as at December 31, 2020	52,678,432	6,239,526	60,000	1,679,047	(3,069,154)	57,587,851
Loss after taxation for the year	-	-	-	-	(1,800,160)	(1,800,160)
Other comprehensive loss - net of tax	-	-	-	(689,398)	(307,856)	(997,254)
Total comprehensive loss for the year	-	-	-	(689,398)	(2,108,016)	(2,797,414)
Balance as at December 31, 2021	52,678,432	6,239,526	60,000	989,649	(5,177,170)	54,790,437
Profit after taxation for the year	-	-	-	-	5,177,287	5,177,287
Other comprehensive income / (loss) - net of tax	-	-	-	(75,821)	732,889	657,068
Total comprehensive income / (loss) for the year	-	-	-	(75,821)	5,910,176	5,834,355
Transferred to statutory reserve	-	1,024,569	-	-	(1,024,569)	-
Balance as at December 31, 2022	52,678,432	7,264,095	60,000	913,828	(291,563)	60,624,792

Statutory reserves represent reserve maintained as per requirement of Section 21 of the Banking Companies Ordinance, 1962.

The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

The annexed notes 1 to 48 and annexures I & II form an integral part of these consolidated financial statements.

 President
 Chief Financial Officer
 Director
 Director
 Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022


	Note	2022 Rupees in '000	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	37	14,577,027	11,226,836
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(22,743,655)	(5,841,512)
Advances - net		(2,470,268)	3,637,679
Other assets - net (excluding advance taxation)		(6,446,083)	500,336
		(31,660,006)	(1,703,497)
Increase / (decrease) in operating liabilities:			
Bills payable		138,104	40,290
Borrowings from financial institutions		222,541,678	51,193,803
Deposits and other accounts		3,631,912	(5,705,501)
Other liabilities		3,627,132	(36,625)
		229,938,826	45,491,967
Employees' benefits paid		(1,091,726)	(1,046,506)
Income tax paid		(3,637,735)	(430,942)
Net cash generated from operating activities		208,126,386	53,537,858
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(224,328,889)	(43,627,891)
Dividend received		142,082	192,413
Investments in operating fixed assets		(322,245)	(176,959)
Proceeds from sale of fixed assets		83,478	87,233
Net cash used in investing activities		(224,425,574)	(43,525,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability against right-of-use assets - net		(346,720)	(277,399)
Net cash used in financing activities		(346,720)	(277,399)
(Decrease) / increase in cash and cash equivalents		(16,645,908)	9,735,255
Cash and cash equivalents at beginning of the year	34	31,841,724	22,106,469
Cash and cash equivalents at end of the year	34	15,195,816	31,841,724

The annexed notes 1 to 48 and annexures I & II form an integral part of these consolidated financial statements.


President


Chief Financial Officer


Director


Director


Director

**ZARAI TARAQIATI BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- Zarai Taraqati Bank Limited

Subsidiary company

- Kissan Support Services (Private) Limited

1.1 Zarai Taraqati Bank Limited ("the Bank")

(a) Reorganization and conversion

The Federal Government in its cabinet meeting held on August 28, 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan (ADBP) into a public limited Company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stakeholders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of ADBP and for matters connected therewith or incidental thereto.

(b) Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited ("the Bank") was incorporated as a public limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on October 23, 2002. Consequently, under SRO 823(1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to, and vested in Zarai Taraqati Bank Limited on December 14, 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rs. 8.7 billion. The Bank is domiciled in Pakistan and its registered office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 501 (2021: 501) branches including 5 (2021: 5) Islamic banking branches in Pakistan as at the close of the year.

(c) Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

1.2 Kissan Support Services (Private) Limited ("the Company")

Kissan Support Services (Private) Limited was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a fully owned subsidiary of Zarai Taraqati Bank Limited (ZTBL). The registered office of the Company is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to the Bank.

2 BASIS OF PRESENTATION

- 2.1 These consolidated financial statements include the financial statements of the Bank and its subsidiary company.
- 2.2 The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.
- 2.3 The consolidated financial statements have been presented in accordance with format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated January 25, 2018.
- 2.4 The assets and liabilities of the subsidiary company have been consolidated on a line by line basis and the carrying value of investment held by the Bank is eliminated against the subsidiary's equity held by the Bank in the consolidated financial statements. Intra-group balances and transactions have been eliminated.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. These comprise of:

- International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP.

In case requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962, or the provisions of and directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Act, 2017, Banking Companies Ordinance, 1962, and the said directives shall prevail.

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of IFAS 3, 'Profit and Loss Sharing on Deposits'. Furthermore, SECP has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated April 28, 2008. 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 the SBP through various circulars.

4 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, these do not have any material effect on the financial statements of the Group and, therefore, are not disclosed.

4.1 Standards, Interpretations and amendments to accounting standards that are not yet effective

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

	Effective date (annual periods beginning on or after)
IFRS 9, Financial Instruments	January 01, 2024
IFRS 16, Leases - Lease liability in a sale and leaseback	January 01, 2024
IAS 1, Presentation of Financial Statements (Amendments)	January 01, 2023
IAS 8, Accounting Policies, Change in Accounting Estimates and Errors - Definition of Accounting Estimates	January 01, 2023
IAS 12, Income Taxes - Deferred tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. 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. According to SBP BPRD circular no. 4 dated October 23, 2019, the Banks / DFIs are required to have a parallel run of IFRS 9 from January 01, 2020 and are also required to prepare pro-forma financial statements which include the impact of IFRS 9 from the year ended December 31, 2019. As per BPRD circular no. 3 of 2022 dated July 05, 2022 it has been decided to extend the implementation date of IFRS 9 from January 01, 2022 as per following timelines:

- Effective date of implementation -January 01, 2023 for banks having asset size of PKR 500 billion or above as per their annual financial statements of December 31, 2021.
- Effective date of implementation -January 01, 2024 for all other banks and Microfinance banks.
- Nevertheless, early adoption of the standard is permissible.

During the transition period, the financial institutions are required to carry out the parallel run reporting.

Except for the implementation of IFRS 9, the Group expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

5 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention

- Certain investments that have been marked to market and are carried at fair value.
- Post employment benefits that are recorded at present value using actuarial valuation.
- Right-of-use assets and their related lease liability which are measured at their present values.

These financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded to the nearest thousand rupees.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- 6.1 SBP vide BPRD Circular No. 1 dated January 1, 2016 issued 'Regulations for Debt Property Swap', regarding recording of non-banking assets acquired in satisfaction of claims on revalued amount, which is not applicable on the Bank. Therefore, treatment suggested by the said Regulation has not been accounted for in these financial statements.

6.2 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

a) Pension scheme

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

b) Gratuity scheme

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

c) Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

d) Benevolent scheme

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

e) Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

f) Employees' compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

- Kissan Support Services (Private) Limited

The Company operates the following staff retirement benefits for its employees:

a) Unfunded medical benefits

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rs. 400 per employee per month.

b) Gratuity scheme

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at December 31, 2022 using the 'Projected Unit Credit Method' as under the latest IAS 19 revised 2011. The actuarial gains / losses arising due to differences between actuarial assumptions and actual experience regarding salary increase, mortality and withdrawal probabilities are considered as remeasurements of the net benefit liability and are recognized in other comprehensive income.

6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with treasury banks and balances with other banks.

6.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provision against unidentified include general provision based on historical loss experience of advances. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by SBP.

6.5 Investments

The Group classifies its investments as follows:

Held-for-trading

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

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold till maturity.

Available-for-sale

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

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investments. Transaction costs on investments held for trading are expensed in the profit and loss account.

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

In accordance with the requirements of SBP, quoted securities, other than those classified as 'held to maturity', 'investment in subsidiary' and 'investments in associates' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the Statement of Financial Position as part of equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account for the current year.

Unquoted equity securities (excluding investments in subsidiary and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Investments in Subsidiaries and Associates

Associates are all entities over which the Group has significant influence but not control. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the profit and loss account. Provision for diminution in the value of investments is taken to the profit and loss account for the current year.

6.6 Operating fixed assets and depreciation / amortization

Property and equipment

Property and equipment, except freehold land which is not amortized and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2 to these financial statements, after taking into account the residual value, if any. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses, if any, on disposal of operating fixed assets are charged to the profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Capital work in progress

Capital work-in-progress is stated at cost less impairment losses (if any) and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant operating fixed assets category as and when assets are available for use as intended by the management.

6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over their useful lives over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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

6.8.1 Right of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their 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 after the leases are matured or terminated.

6.8.2 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 Group'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.

6.9 Impairment

Carrying values of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount,

assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.10 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. These are stated at the carrying value of such assets.

6.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account available tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the 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 the tax rates enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

6.12 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as expenses in the period in which these are incurred using effective mark-up / interest rate method.

6.13 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.14 Revenue recognition

Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by SBP. Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

Fee, brokerage and commission income is recognized on accrual basis.

Profit / (loss) on sale of investments is credited / charged to the profit and loss account for the current year.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

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

Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.

Operating lease rentals are recorded in the profit and loss account on a time proportion basis over the term of lease arrangements.

6.15 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect current best estimates.

6.16 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the reporting date.

6.17 Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These are derecognized when the Bank ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as available for sale are valued at mark-to-market basis and investments classified as held to maturity are stated at amortized cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the profit and loss account.

6.18 Offsetting

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

6.19 Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Group that either require fair value measurements or only fair value disclosures as at December 31, 2022 are disclosed in note 40.

6.20 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), and is subject to risk and rewards that are different from those of other segments. The Group is engaged in providing agri-financing and branch banking, Islamic banking and treasury operations and operates only in Pakistan.

6.23 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

6.24 Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

6.25 Other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each reporting date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

6.26 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

6.27 Statutory reserve

In compliance with the requirements of the Banking Companies Ordinance, 1962, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 10% of the profit after tax.

6.28 Cash reserve requirement

The Bank maintains liquidity equivalent to at least 6% of its time and demand deposits in the form of liquid assets i.e. cash and banks.



6.29 Grants

Grants of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the profit and loss account to the extent of the actual expenditure incurred. Expenditure incurred against grants committed but not received, is recognized directly in the profit and loss account and reflected as a receivable from donors.

Grants that compensate the Group for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it.

6.30 Contingencies

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6.31 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows

a) Classification of investments

As described in Note 6.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

b) Provision against advances

The Group reviews its loan portfolio to assess the amount of non-performing advances and provision required thereagainst on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by SBP from time to time and the management's judgment in case of subjective provision.

c) Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in note 38 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

d) Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with IAS 8 'Changes in Accounting Estimates and Errors'.

e) Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

Impairment of investments in subsidiary and associates

The Group considers that a decline in the recoverable value of investment in subsidiary and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

f) Taxation

In making the estimates for income tax currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Group's future taxable profits are taken into account.

g) Provision and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

h) Right-of-use assets

As mentioned in note 6.8, right-of-use assets is depreciated over its lease term while their related lease liability are measured at their present values.

	Note	2022 Rupees in '000	2021
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		1,065,179	572,019
With State Bank of Pakistan in:			
Local currency current account	7.1	1,132,277	2,919,203
With National Bank of Pakistan in:			
Local currency current account	7.2	42,212	1,198,284
Local currency deposit account		339,008	333,762
		381,220	1,532,046
Prize bonds		1,733	2,755
		<u>2,580,409</u>	<u>5,026,023</u>

7.1 This represents current accounts maintained with SBP under cash reserve requirement of the Banking Companies Ordinance, 1962.

7.2 These carry mark-up at rates ranging from 7.25% to 14.50% (2021: 5.50% to 12.50%) per annum.

	Note	2022 Rupees in '000	2021
8 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		87,346	124,434
In deposit accounts	8.1	12,528,061	26,691,267
		<u>12,615,407</u>	<u>26,815,701</u>

8.1 These carry mark-up at rates ranging from 7.25% to 17.25% (2021: 5.50% to 12.40%) per annum.

	Note	2022 Rupees in '000	2021
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		15,500,000	3,050,000
Repurchase agreement lendings (reverse repo)	9.2	24,071,867	13,778,212
Bai Muajjal receivable			
With State Bank of Pakistan	9.3	51,275	51,275
		<u>39,623,142</u>	<u>16,879,487</u>
9.1 Particulars of lendings			
In local currency		39,623,142	16,879,487
In foreign currencies		-	-
		<u>39,623,142</u>	<u>16,879,487</u>

9.2 This carries mark-up at rates ranging from 15.90% to 16.50% (2021: 10.10% to 10.75%) per annum having maturity during January 2023.

9.3 This carries mark up coupon 7.94% and having maturity during June 2023.

9.4 Securities held as collateral against lendings to financial institutions

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Pakistan Investment Bonds	24,071,867	-	24,071,867	13,778,212	-	13,778,212
	<u>24,071,867</u>	<u>-</u>	<u>24,071,867</u>	<u>13,778,212</u>	<u>-</u>	<u>13,778,212</u>

10 INVESTMENTS - NET

10.1 Investments by types

Note	2022				2021			
	Cost / amortised cost	Provision for diminutio	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
10.4	..... Rupees in '000							
Available-for-sale securities								
Federal Government securities	302,439,194	-	(840,501)	301,598,693	78,001,592	-	(873,024)	77,128,568
Shares	99,819	(10,523)	2,438,038	2,527,334	99,819	(10,523)	2,375,819	2,465,115
Corporate sukuk	568,921	-	-	568,921	594,575	-	3,412	597,987
Term Finance Certificates	2,049,065	-	5,672	2,054,737	2,099,245	-	16,330	2,115,575
	305,156,999	(10,523)	1,603,209	306,749,685	80,795,231	(10,523)	1,522,537	82,307,245
Total investments	305,156,999	(10,523)	1,603,209	306,749,685	80,795,231	(10,523)	1,522,537	82,307,245

10.2 Investments by segments

Federal Government Securities

Market Treasury Bills	243,661,242	-	294,927	243,956,169	42,060,692	-	(44,626)	42,016,066
Pakistan Investment Bonds	57,301,871	-	(1,090,705)	56,211,166	34,764,522	-	(794,722)	33,969,800
GOP Ijarah sukuk	1,476,081	-	(44,723)	1,431,358	1,176,378	-	(33,676)	1,142,702
	302,439,194	-	(840,501)	301,598,693	78,001,592	-	(873,024)	77,128,568

Shares:

Listed Companies	89,296	-	2,438,038	2,527,334	89,296	-	2,375,819	2,465,115
Unlisted Companies	10,523	(10,523)	-	-	10,523	(10,523)	-	-
	99,819	(10,523)	2,438,038	2,527,334	99,819	(10,523)	2,375,819	2,465,115

Non Government Debt Securities

Listed	2,617,986	-	5,672	2,623,658	2,693,820	-	19,742	2,713,562
Total investments	305,156,999	(10,523)	1,603,209	306,749,685	80,795,231	(10,523)	1,522,537	82,307,245

	2022	2021
	Rupees in '000	
10.2.1 Investments given as collateral		
Market Treasury Bills	245,818,915	33,453,279
Pakistan Investment Bonds	47,218,262	43,392,220
	<u>293,037,177</u>	<u>76,845,499</u>
10.3 Provision for diminution in value of investments	<u>10,523</u>	<u>10,523</u>

10.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2022	2021
	Cost Rupees in '000	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	243,661,242	42,060,692
Pakistan Investment Bonds	57,301,871	34,764,522
Ijarah Sukuks	1,476,081	1,176,378
	<u>302,439,194</u>	<u>78,001,592</u>

Shares**Listed companies**

Food and personal care products	<u>89,296</u>	<u>89,296</u>
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	2022		2021	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted companies				
Pakistan Mercantile Exchange Limited	10,523	3,082	10,523	1,436
Pakistan Agricultural Storage and Services Corporation Limited	-	1,614,525	-	1,617,050
	<u>10,523</u>	<u>1,617,607</u>	<u>10,523</u>	<u>1,618,486</u>

10.4.1 Investment in Pakistan Mercantile Exchange Limited has been fully provided for due to negative break up value in prior financial statements. Cost per share is Rs. 10 to Rs. 13.5 having total cost amounting to Rs. 10.523 million.

10.4.2 Investments in Pakistan Agricultural Storages and Services Corporation Limited was transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rs. 1. Cost per share is Rs. 1,000 having total cost amounting to Rs. 2.50 million.

	2022	2021
	Cost Rupees in '000	
Non Government debt securities		
Listed		
- AAA	500,000	500,000
- AA+, AA, AA-	1,967,986	2,193,820
- A+, A, A-	150,000	-
	<u>2,617,986</u>	<u>2,693,820</u>

11 ADVANCES - NET

	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
Loans, cash credits, running finance, etc.	73,884,456	74,456,385	33,738,604	40,799,600	107,623,060	115,255,985
Advances - gross	73,884,456	74,456,385	33,738,604	40,799,600	107,623,060	115,255,985
Provision for advances:						
- against agriculture advance	-	-	14,126,561	20,392,883	14,126,561	20,392,883
- against staff advances	-	-	44,119	40,795	44,119	40,795
- general	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Advances - net of provision	3,000,000	3,000,000	14,170,680	20,433,678	17,170,680	23,433,678
Particulars of advances (gross)	70,884,456	71,456,385	19,567,924	20,365,922	90,452,380	91,822,307
In local currency					107,623,060	115,255,985

11.2 Advances include Rs. 33,682.336 million (2021: Rs. 40,746.754 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification	2022		2021	
	Non performing loans	Provision	Non performing loans	Provision
Domestic				
Other assets especially mentioned				
Substandard	13,616,010	-	10,716,466	-
Doubtful	5,303,514	1,060,703	8,464,335	1,692,867
Loss	3,393,911	1,696,957	5,731,879	2,865,942
	11,368,901	11,368,901	15,834,074	15,834,074
	33,682,336	14,126,561	40,746,754	20,392,883

11.3 Particulars of provision against advances

	2022		2021	
	Specific	General	Specific	General
Opening balance	20,392,883	3,000,000	24,205,818	3,000,000
Charge for the year	9,122,441	-	14,875,636	-
Reversals	(5,285,570)	-	(7,687,659)	-
	3,836,871	-	7,187,977	-
Amounts written off (Note 11.4)	-	-	-	-
Amounts charged off- Agri Financing (Note 11.6)	(10,103,193)	-	(11,000,912)	-
Closing balance	14,126,561	3,000,000	20,392,883	3,000,000

11.3.1 Particulars of provision against advances

	2022		2021	
	Specific	General	Specific	General
In local currency	14,126,561	3,000,000	20,392,883	3,000,000

11.3.2 Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Group has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

11.3.3 In addition to the time based criteria, the Group has further classified loans and advances amounting to Rs. 3,720.917 million (2021: Rs.7,019.92 million) and further de-graded the category of classified loans and advances amounting to Rs. 6,511.752 million (2021: Rs. 8,182.97 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

11.3.4 Provision against non-performing loans and advances - net

	Note	2022	2021
		Rupees in '000	
Provision against non-performing loans and advances	11.3	3,836,871	7,187,977
Provision against staff advances		3,324	8,307
		<u>3,840,195</u>	<u>7,196,284</u>

	Note	2022 Rupees in '000	2021
11.4 Particulars of write offs:			
11.4.1 Against provisions		-	-
Directly charged to Profit & Loss account		-	-
		<u>-</u>	<u>-</u>
11.4.2 Write offs of Rupees 500,000 and above	11.5	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

11.5 Details of Loan write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year has to be disclosed. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is given at Annexure-I.

11.6 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2022 amounts to Rs. 53,642.51 million (2021: Rs. 44,463.25 million) with an addition of Rs. 10,103.19 million (2021: Rs. 11,000.91 million) as charge off loans during the year.

	Note	2022 Rupees in '000	2021
12 FIXED ASSETS			
Capital work-in-progress	12.1	55,266	43,888
Property and equipment	12.2	2,352,282	2,443,368
		<u>2,407,548</u>	<u>2,487,256</u>
12.1 Capital work-in-progress			
Civil works		42,774	35,858
Consultancy charges		6,891	6,762
Others	12.1.1	5,601	1,268
		<u>55,266</u>	<u>43,888</u>
12.1.1 This includes soil testing and other charges incurred at sites.			

12.2 Property and equipment

Description	Year ended December 31, 2022					December 31, 2022			Rate of Depreciation			
	January 1, 2022	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (disposal) / (transferred)	Depreciation charge / (depreciation on disposal)	Closing Net Book Value		Cost	Accumulated Depreciation	Net Book Value
Land - Freehold	-	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-
Land - Leasehold	5,822	10,742	4,920	4,920	4,920	217	217	4,703	10,742	6,039	4,703	Lease terms for 33 to 99 years
Buildings on freehold land	220,417	712,054	491,637	491,637	491,637	1,579	25,216	468,000	713,633	245,633	468,000	5%
Buildings on leasehold land	306,518	548,452	241,934	241,934	241,934	5,224	12,255	234,903	553,676	318,773	234,903	5%
Buildings on leasehold land - ADB	10,659	21,224	10,565	10,565	10,565	528	528	10,037	21,224	11,187	10,037	5%
Furniture and fixtures	270,917	543,325	272,408	272,408	272,408	2,912	27,395	247,925	546,237	298,312	247,925	10% / 20%
Computer, office and other equipment	1,146,006	1,505,904	359,898	359,898	359,898	30,884	102,960	287,753	1,533,888	1,246,135	287,753	20% / 33%
Computer, office and other equipment - ADB	212,287	212,289	2	2	(2,900)	(2,831)	-	2	212,289	212,287	2	20% / 33%
Vehicles	1,103,326	1,241,648	138,322	138,322	138,322	116,891	63,991	181,962	1,314,086	1,132,124	181,962	20%
Right-of-use assets (note 6.8)	436,455	1,254,218	817,763	817,763	817,763	318,334	255,892	811,078	1,321,953	510,875	811,078	10% - 100%
	3,712,407	6,155,775	2,443,368	2,443,368	2,443,368	475,824	488,454	2,352,282	6,333,647	3,981,365	2,352,282	
	(297,952)		(297,952)		(297,952)	(219,496)						

Description	January 1, 2021				Year ended December 31, 2021				December 31, 2021				Annual rate of Depreciation
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (Disposal) / (Transferred)	Depreciation charge / (depreciation) on disposal	Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value			
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-	-	-
Land - Leasehold	10,742	5,605	5,137	5,137		217	4,920	10,742	5,822	4,920	4,920	5%	
Buildings on freehold land	716,445	197,232	519,213	519,213	- (4,391)	23,185	491,637	712,054	220,417	491,637	491,637	5%	
Buildings on leasehold land	548,118	293,788	254,330	254,330	334	12,730	241,934	548,452	306,518	241,934	241,934	5%	
Buildings on leasehold land - ADB	21,224	10,103	11,121	11,121		556	10,565	21,224	10,659	10,565	10,565	5%	
Furniture and fixtures	543,154	242,958	300,196	300,196	2,556 (2,385)	30,119 (2,160)	272,408	543,325	270,917	272,408	272,408	10% / 20%	
Computer, office and other equipment	1,470,597	1,011,069	459,528	459,528	35,800 (493)	135,392 (455)	359,898	1,505,904	1,146,006	359,898	359,898	20% / 33%	
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2	2	20% / 33%	
Vehicles	1,276,560	1,081,346	195,214	195,214	49,102 (84,014)	82,380 (60,400)	138,322	1,241,648	1,103,326	138,322	138,322	20%	
Right-of-use assets (note 6.8)	1,298,806	387,601	911,205	911,205	226,286 (270,874)	267,448 (218,594)	817,763	1,254,218	436,455	817,763	817,763	10% - 100%	
	6,203,854	3,441,989	2,761,865	2,761,865	314,078 (362,157)	552,027 (281,609)	2,443,368	6,155,775	3,712,407	2,443,368	2,443,368		

..... Rupees in '000

	2022	2021
	Rupees in '000	
	58,440	58,470
	3,220	3,220
	351,454	341,575
	212,120	212,289
	969,073	883,766
	<u>1,535,867</u>	<u>1,440,850</u>

12.3 Carrying amount of temporarily idle property

12.4 Included in cost of property and equipment are fully depreciated items still in use having following category wise breakup:

Leasehold land
 Computer, office and other equipment
 Computer, office and other equipment - ADB
 Vehicles

12.5 The title documents of freehold land having cost of Rs. 1.86 million (2021: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2021: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.

	Note	2022 Rupees in '000	2021
15 OTHER ASSETS - NET			
Income / mark-up accrued in local currency on :			
- advances - net of provision	15.1	8,555,496	5,416,354
- securities		3,992,008	1,330,560
- deposits		140,929	163,507
Amount recoverable from Federal Government	15.2	2,800,085	2,691,252
Tax recoverable	15.3	422,652	422,652
Branch adjustment account		-	1,726,559
Taxation (payments less provision)	15.4	2,531,417	3,780,258
Receivable from defined benefit plans:	38.6.1		
gratuity scheme - SSR 1961		-	115,744
gratuity scheme - SR - 2005		705,747	479,794
Non banking assets acquired in satisfaction of claims	15.5	423,709	427,721
Stationery and stamps in hand		132,429	127,657
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		22,579	53,509
Security deposits		6,199	6,198
Advances and other prepayments		333,736	183,059
Clearing and settlement	15.6	2,220,173	-
Others		143,533	198,458
		<u>22,441,929</u>	<u>17,134,519</u>
Provision held against other assets	15.7	<u>(939,492)</u>	<u>(964,265)</u>
Other assets - net of provisions		<u>21,502,437</u>	<u>16,170,254</u>

15.1 This does not include Rs. 8,660.416 million (2021: Rs. 10,361.093 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

15.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,411.656 million (2021: Rs. 2,087.305 million), small livestock farmers premium amounting to Rs. 383.57 million (2021: Rs. 599.20 million) and animal tagging charges amounting to Rs. 4.86 million (2021: Rs. 4.75 million).

15.3 This includes tax recoverable of Rs. 309.359 million (2021: Rs. 309.359 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 16.

	Note	2022 Rupees in '000	2021
15.4 Taxation - net			
Opening receivable		3,780,258	6,281,912
Charge during the year	32	(4,886,576)	(2,932,596)
Advance income tax / withholding tax		3,637,735	430,942
Closing receivable		<u>2,531,417</u>	<u>3,780,258</u>
15.5 Market value of non-banking assets acquired in satisfaction of claims		<u>818,646</u>	<u>825,978</u>

	2022	2021
	Rupees in '000	
15.5.1 Non banking assets acquired in satisfaction of claims		
Opening Balance	427,721	438,665
Additions	1,221	90
Disposals	(5,233)	(11,034)
Closing Balance	<u>423,709</u>	<u>427,721</u>
15.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims		
Disposal Proceeds	12,558	21,680
less : Cost	(5,182)	(11,034)
Gain	<u>7,376</u>	<u>10,646</u>

15.6 This includes Rs. 2 billion which was cleared / settled on January 3, 2023.

	2022	2021
	Rupees in '000	
15.7 Provision held against other assets		
Tax recoverable	422,652	422,652
Non banking assets acquired in satisfaction of claims	423,709	427,721
Stock of farm machinery	11,237	11,237
Accrued interest on advances of ex-employees	17,734	15,183
Amount deposited with courts / legal charges recoverable	64,160	87,472
	<u>939,492</u>	<u>964,265</u>
15.7.1 Movement in provision held against other assets		
Opening balance	964,265	1,022,306
Charge for the year	39,056	38,586
Reversals	(63,829)	(96,627)
	<u>(24,773)</u>	<u>(58,041)</u>
Closing balance	<u>939,492</u>	<u>964,265</u>

16 CONTINGENT ASSETS

16.1 There is a contingency of an amount of Rs. 297.149 million and Rs. 54.828 million on account of minimum income tax levied by the Income Tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR), disagreed with the aforesaid decision, further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979.

- 16.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.05.2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (Principle + Penalty). On 03.06.2019, payment of impugned tax Amounting Rs.6.6 million (Principle + 10% Surcharge) has been made, under protest, to avail the SRB Amnesty Scheme. Bank has filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.3 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.07.2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On 03.06.2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.4 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 24.01.2020 for the period of January 2014 to December 2014 which created a demand of Rs.54.6 million. On 03.06.2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.



	Note	2022 Rupees in '000	2021
17	BILLS PAYABLE		
	In Pakistan	580,505	442,401
18	BORROWINGS		
	Secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	54,461,536	54,461,536
	Repurchase agreement borrowings	291,048,185	74,934,577
	Repurchase agreement borrowings - others	1,988,992	1,910,922
	Total secured	347,498,713	131,307,035
	Unsecured		
	Call borrowings	7,400,000	1,050,000
		354,898,713	132,357,035
18.1	Particulars of borrowings with respect to currencies		
	In local currency	354,898,713	132,357,035
18.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable on March 7, 2027. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.		
18.3	These carry markup at the rate of 15.24% to 16.26% (2021: 9.91% to 10.21%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 47,700 million (2021: Rs.34,500 million) and Pakistan Investment Bonds amounting to Rs.253,000 million (2021: Rs.42,000 million). These are repayable by January to March 2023 (2021: January to March 2022).		
18.4	These carry markup at the rate of 16% (2021: 10%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 2,000 million (2021: Pakistan Investment Bonds having face value amounting to Rs. 2,000 million) . These are repayable by January 2023 (2021: January 2022).		
18.5	These carry markup at the rate of 15% to 16.26% (2021: 10% to 10.30%) per annum. These are repayable by January to February 2023 (2021: January 2022).		

	2022 Rupees in '000	2021
19	DEPOSITS AND OTHER ACCOUNTS	
	Customers - local currency	
	Current deposits	6,012,741
	Saving deposits	5,635,721
	Term deposits	31,336,239
	Others	21,836
		43,006,537
	Financial Institutions - local currency	
	Current deposits	7,264
	Saving deposits	3,113,500
	Term deposits	-
		3,120,764
		46,127,301
		40,944,890
		42,495,389

	2022	2021
	Rupees in '000	
19.1 Composition of deposits		
- Individuals	2,801,247	2,687,637
- Government (Federal and Provincial)	11,701,794	6,160,921
- Public sector entities	7,431,419	8,631,614
- Banking companies	-	-
- Non-Banking Financial Institutions	3,120,764	1,550,501
- Private sector	21,072,077	23,464,716
	<u>46,127,301</u>	<u>42,495,389</u>

19.2 These include deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 9,944.559 million (2021: 10,310.913 million).

	Note	2022	2021
		Rupees in '000	
20 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency on:			
- borrowings		4,326,579	1,465,844
- deposits and other accounts		710,988	803,416
Accrued expenses		942,134	697,294
Branch adjustment account		304,480	-
Net liabilities relating to Bangladesh	20.1	189	190
Payable to Ministry of Food Agriculture & Livestock	20.2	168,000	168,000
Provision for:	38.6.1		
- pension scheme		7,633,256	9,099,720
- employees' post retirement medical benefits		10,063,017	7,964,423
- employees' compensated absences		2,087,516	2,229,620
- gratuity scheme of the company		345,523	303,966
Due to Islamic Banking		442	496
Security deposits		22,666	33,661
Deferred income	20.3	10,038	10,566
Lease liability against right-of-use assets		907,653	892,799
Clearing and settlement		-	236,217
Others	20.4	1,423,392	908,176
		<u>28,945,873</u>	<u>24,814,388</u>

20.1 Net liabilities relating to Bangladesh

Liabilities		1,953,546	1,924,176
Assets		(1,953,357)	(1,923,986)
	20.1.1	<u>189</u>	<u>190</u>

20.1.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No. F.5(12)PEC(op-FR)/78-236 dated May 6, 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh. However, the Bank has no control over these assets.

20.2 This represents payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2022	2021
		Rupees in '000	
20.3 Deferred income			
Opening balance		10,566	11,122
Amortization during the year	28	(528)	(556)
Closing balance		<u>10,038</u>	<u>10,566</u>

20.3.1 Deferred income comprises the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

20.4 These represent various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding taxes, contribution received from borrowers, clearing proceeds payable etc.

21 SHARE CAPITAL

21.1 Authorized capital

2022	2021		2022	2021
Number of shares			Rupees in '000	
		Ordinary and Preference shares		
		of Rupees 10 each		
<u>12,500,000,000</u>	<u>12,500,000,000</u>		<u>125,000,000</u>	<u>125,000,000</u>

21.2 Issued, subscribed and paid up capital

2022	2021		2022	2021
Number of shares			Rupees in '000	
		Ordinary shares of Rupees 10 each		
1,186,961,201	1,186,961,201	- fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	- Issued as bonus shares	652,828	652,828
4,015,599,174	4,015,599,174	- Issued against loan from SBP	40,155,992	40,155,992
<u>5,267,843,241</u>	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

21.3

Shareholder	No. of ordinary shares		Paid-up value per share	
State Bank of Pakistan	4,015,599,174	10	40,155,992	40,155,992
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,255	1,255
Government of Khyber				
Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

	2022	2021
	Rupees in '000	
22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation available-for-sale securities:		
Quoted investments	2,438,038	2,375,819
Other securities	(834,829)	(853,282)
Surplus on revaluation of available-for-sale securities	1,603,209	1,522,537
Deferred tax on surplus on revaluation of available-for-sale securities	(689,381)	(532,888)
	913,828	989,649
23 CONTINGENCIES AND COMMITMENTS		
23.1 Contingent liabilities		
In respect of cases filed against the Bank:		
23.1.1 by borrowers; 489 (2021: 624) cases	355,489	458,926
23.1.2 by employees; 434 (2021: 461) cases	281,681	267,591

- Zarai Taraqiaty Bank Limited

- 23.2.1 Income Tax Department under section 161/205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rs. 7.714 million for the Tax Year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), hearing was fixed in this case against which the bank sought adjournment, but ATIR heard the case and upheld the decision of Assessing Officer (A.O.). A.O. on the direction of ATIR Order reassessed the earlier demand to Rs. 10.105 million by adding default surcharge. Subsequently, the ATIR decided the case in the favour of the Bank and appeal effects order is pending. However, the department filed reference application before Islamabad High Court, Islamabad against the Order of ATIR. The Bank has not accounted for the demand as tax payable and no provision has been recognized as the Bank is confident for a favourable outcome.
- 23.2.2 The cases relating to taxation matters of the Bank for the Assessment Years 2002-2003 and Tax Years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated June 09, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 decided most of the issues involved in favour of the Bank. Final appeal effects order received by the Bank as per the decisions of ATIR resulting in net refunds of Rs. 4,640.154 million. However, Commissioner Inland Revenue (CIR) filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated June 9, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 before the Honorable Lahore High Court, Rawalpindi Bench for Tax Years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for Assessment Year 2002-03 and Tax Years 2004, 2005, 2006, 2007, 2008 and 2009. The Honourable Islamabad High Court, Islamabad decided the cases for which appeal effects from department are pending except 2007. In Tax Year 2007 the A.O. issued an order on the basis of High Court directives by creating a demand of Rs. 24.875 million, being aggrieved the Bank filed appeal before CIR(A), who remanded back the issues to A.O., appeal effects on the basis of CIR(A) Oder are pending. Provision for the cases of income tax, approximately amounting to Rs. 9,917.854 million, has not been recognized as the Bank is confident for a favourable outcome based on the strong ground of appeal and opinion of legal counsel of the Bank.

- 23.2.3 The Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rs. 1,056.324 million for Tax Years 2008 and of Rs. 2,250.813 millions for Tax Year 2009 respectively aggregating to Rs. 3,307.137 million. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before ATIR who decided and cases remanded back to A.O. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable outcome is expected.
- 23.2.4 DCIR passed order under section 161 / 205 of the Income Tax Ordinance, 2001 and raised demand of Rs. 208.337 million for Tax Year 2011. The Bank filed appeal before CIR(A) against the orders of DCIR who remanded back the case to A.O. for verification. The Bank filed appeal before ATIR against the orders of the CIR(A). ATIR decided the case in favour of Bank on the issue of default surcharge. However, the department filed reference application before Honourable Islamabad High Court, Islamabad. Further, the A.O. on remanded back case, after verification on various issues, reduced the demand to Rs. 14.366 million. Being aggrieved the Bank filed appeal before CIR(A) against the order of A.O. on remanded back case who deleted various issues and also confirmed the action of A.O. on certain issues. Being aggrieved both the Bank and the department filed appeal before ATIR against the orders of the CIR(A). ATIR against the appeals of the Bank and Department decided the case in favour of the Bank. Further, on remanded back issues, the A.O. further created a demand of Rs. 7.527 million. Being aggrieved, the Bank filed appeal before CIR(A) who remanded back the case to the department for denovo consideration with the direction that while giving appeal effects, the order of ATIR may be kept in mind. Being aggrieved the Bank as well Tax Department filed the appeals to ATIR against the orders of CIR(A). The ATIR cancelled the impugned order in favour of Bank for which appeal effect is pending with A.O. The Bank has not accounted for the demand as tax payable because favourable decision is expected.
- 23.2.5 ACIR passed orders under section 122(5A) and raised demand of Rs. 3,287.662 million for Tax Year 2010, Rs. 2,922.830 million for Tax Year 2011 and Rs. 2,037.114 million for Tax Year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to ACIR. The Bank filed appeals with ATIR against the orders of the CIR(A) which were decided by the ATIR in favour of the Bank in most of the issues. However, the department filed reference application before Honourable Islamabad High Court against the issues favouring the Bank. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 616.611 million for Tax Year 2010, Rs. 844.800 million for Tax Year 2011 and Rs. 321.531 million for Tax Year 2012. Being aggrieved the Bank filed appeals before CIR(A) against the Orders of Additional Commissioner (IR) who in its Order deleted the additions in most of the issues. ACIR on the directions of CIR(A) further issued orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier demand of Rs. 616.611 million to refund of Rs. 164.934 million, for Tax Year 2011 reducing the tax liability from Rs. 844.800 million to Rs. 619.849 million and for Tax Year 2012 reducing the tax liability from Rs. 321.531 million to Rs. 5.180 million respectively. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR(A). ATIR against the appeal filed by the Department for Tax Year 2011 and 2012 on the issues of substandard loans and reversal of provisions against compensated absences were disposed of by upholding the decision of CIR(A) about deletion of the same and also remanded back the similar addition in 2013 to A.O. with the direction to keep pending of reassessment in accordance to the provisions of Section 124A of Income Tax Ordinance, 2001 as the matter is sub judice before High Court against reference application filed by the Department against the Orders of ATIR which is decided in favour of the Bank. Further, by disposing off the appeals filed by the Bank in Tax Years 2010, 2011 and 2012 and remanded back the issue of property income and arithmetic error in Assessment Order to

A.O. for reassessment. On the directions of ATIR, ACIR issued appeal effect orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier refund of Rs. 164.934 million into demand of Rs. 419.221 million, for Tax Year 2011 reducing the tax liability from Rs. 619.849 million to Rs. 181.617 million and for Tax Year 2012 converted the tax liability from Rs. 5.180 million to refund of Rs.12.319 million respectively. CIR(A) upheld the orders of A.O. Being aggrieved Bank filed an appeal before ATIR. The Bank has not accounted for the demand as tax payable because favourable decision is expected.

- 23.2.6 ACIR passed order under section 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 4,920.168 million for Tax Year 2013. The Bank filed appeal before CIR(A) against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both filed appeals before ATIR against the orders of CIR(A) which were decided in favour of the Bank except for Rs. 2,830 million which were remanded back to ACIR. However, the department filed reference application before Honorable Islamabad High Court, Islamabad. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 829.428 million. Being aggrieved the Bank filed appeals before CIR(A) against the Orders of Additional Commissioner (IR) who decided the case in most of the issues in favour of the Bank, the appeal effects on the basis of CIR(A) is pending. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR(A). The ATIR disposed of both the appeals by remanding back the issues to A.O. In appeal effect order the Assessment officer after adjustment of available refund reduces the demand of Rs.829.428 million to refund amount of Rs. 8.702 million. Being aggrieved, the Bank filed appeal to ATIR. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.7 DCIR passed order under section 161 / 205 of the Income Tax Ordinance, 2001 and raised demand of Rs. 27.792 million for Tax Year 2009. To avail the Government amnesty, the Bank paid Rs. 19.183 million under protest with waiver of penalty amount of Rs. 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. The Bank filed appeal before ATIR against the orders of the CIR(A) who decided the case in favour of the Bank except remanded back the issue of profit on debt for verification. However, the department filed reference application before Honorable Islamabad High Court, Islamabad. The A.O. passed order u/s 124 read with 161 of the Income Tax Ordinance, 2001 and raised demand of Rs. 20.435 million on remanded back issue. The Bank filed appeal before CIR(A). The A.O. on the directions of CIR(A) further issued order u/s 124 / 161 / 205 converted the earlier demand to refund of Rs. 16.752 million by adding tax of Rs. 2.431 million on profit on debt. Being aggrieved the Bank filed appeal before ATIR against the orders of the CIR(A) and the same is pending for hearing. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.8 DCIR passed order under section 161 / 205 of Income Tax Ordinance, 2001 and raised demand of Rs. 15.943 million for Tax Year 2012. The Bank filed appeal before CIR(A) against the orders of DCIR. CIR(A) deleted various issues and confirmed certain issues resulting to reduce the tax demand from Rs. 15.943 million to Rs. 3.892 million. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). ATIR decided the case in favour of the Bank and cancelled the impugned order for which appeal effects are pending with A.O. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.

- 23.2.9 DCIR passed order u/s 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 3,059 million for the Tax Year 2014. Further, on a rectification application filed by the Bank, A.O. passed rectification order by reducing demand to Rs. 1,278 million by adjustment of refund of Rs. 1,776 million and arithmetic error of Rs. 14 million. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). The case has been remanded back by ATIR to A.O. for reassessment. Appeal effect order has been received with reduction of earlier demand to Rs. 889 million. CIR(A) remanded back the case to A.O. for reassessment. Being aggrieved the Bank filed appeal before ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 23.2.10 ACIR passed order u/s 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 5,549.705 million for the Tax Year 2015. The Bank filed appeal before CIR(A) against the orders of ACIR who upheld various issues ordered by ACIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A) and the same is pending for hearing. A.O. on the directions of CIR(A) passed an Order u/s 124 / 122(5A) and reduced the demand from Rs. 5,549.705 million to Rs. 4,266.194 million by allowing partial relief. ATIR while disposing of both appeals and remanded back most of the issues to A.O. for reassessment. Assessment proceedings were completed, and A.O. raised the demand from Rs. 4,266.194 million to Rs. 6,780.479 million. Being aggrieved the Bank filed appeal to CIR(A) who remanded back the case to A.O. by allowing partial relief. Being aggrieved against the CIR(A) orders Bank filed an appeal to ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 23.2.11 A.O. passed four assessment orders u/s 161 / 205 of the Income Tax Ordinance, 2001 regarding short deduction of tax under different sections of ITO-2001 for Tax Year 2015 and raised demand of Rs. 26.628 million u/s 155, Rs. 0.412 million u/s 153(1)(b), Rs.9.495 million u/s 149 and Rs.63.469 million u/s 151 respectively. Being aggrieved the Bank filed appeals before CIR(A) against the aforementioned orders of A.O. CIR(A) remanded back the case of Rs. 26.628 million for denovo consideration to A.O. Meanwhile, after reassessment of the said case, the Assessment officer passed the order by reducing demand from Rs. 26.628 million to Rs. 14.183 million. Being aggrieved the Bank filed an appeal to ATIR. The CIR(A) upheld the decision of Assessment Officer regarding demand of Rs. 0.412 million u/s 153(1)(b). Being aggrieved the Bank filed an appeal to ATIR. The CIR(A) annulled the assessment order of Rs. 9.495 million u/s 149, and in this respect, the assessment officer didn't issue the appeal effects order to date. CIR(A) remanded back case to the Assessment Officer of Rs. 63.469 million u/s 151 for issuance of speaking order. After reassessment of this case, Assessment Officer passed the appeal effect order u/s 124/161/205 by reducing the demand from Rs. 63.469 to Rs. 27.155 million. However, Bank filed a second appeal against demand of Rs. 27.155 million. Hence, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.12 ACIR passed order u/s 122(5A) of Income Tax Ordinance, 2001 and raised demand of Rs. 1,511.521 million for the Tax Year 2016. On the directions of ATIR, except property income A.O. allowed partial relief in his order. In appeal effect order A.O. converted the demand of Rs. 1,511.521 million into refund of Rs. 416.324 million. Being aggrieved the Bank filed an appeal to ATIR after receiving the CIR(A) orders who upheld the ACIR orders. ACIR passed two other assessment orders u/s 161/205 of Income Tax Ordinance, 2001 regarding Tax Year 2016 and raised demand of Rs. 63.243 million and 161.180 million regarding short deduction u/s 151 and u/s 149 of ITO, 2001 respectively. Being aggrieved Bank filed appeals to CIR(A) against these assessment orders. Meanwhile, on directions of CIR(A) the Assessment officer issued an appeal

effect order u/s 124/161/205 regarding short deduction of tax u/s 151 by reducing the demand from Rs. 63.243 million to Rs. 60.377 million whereas regarding short deduction u/s 149, CIR(A) annulled the orders of the Assessment Officer and in this respect the appeal effects u/s 124/161/205 are not yet issued by the assessment officer. However, Bank filed a second appeal against demand of Rs. 60.377 million. Hence, no provision has been made because the Bank is expecting a favourable decision.

- 23.2.13 A.O. passed orders u/s 161 of the Income Tax Ordinance, 2001 and raised demands of Rs. 3.076 million for Tax Year 2014, Rs 0.207 million and Rs. 2.270 million respectively for two cases of Tax Year 2015 against short deduction of withholding taxes under various heads. Being aggrieved the Bank filed appeals before CIR(A) who remanded back the case against the orders of A.O. for re-examination. The A.O. on the direction of CIR(A) issued appeal effects order by adjusting the earlier demand against tax refund of Tax Year 2010. On appeal, the CIR(A) remanded back the case to A.O. for speaking order. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.14 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 30.11.2021 and raised the demand of Rs. 361.752 million for the Tax Year 2017. However, this order rectified under section 221(1) vide order dated 27.12.2021 and created tax refundable of Rs.679.294 million for the Tax Year 2017. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 23.2.15 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 28.09.2022 and raised the demand of Rs. 12,870.191 million for the Tax Year 2018. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.16 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 14.01.2021 and raised the demand of Rs. 983.653 million for the Tax Year 2019. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.17 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 08.04.2021 and raised the demand of Rs. 4,085.176 million for the Tax Year 2020. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.18 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated 27.12.2021 and raised the demand of Rs. 6,425.014 million for the Tax Year 2021. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.19 The cases relating to Federal Excise Duties / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012 were contested by the Bank at various forums. ATIR vide its orders dated May 07, 2012, January 08, 2013, November 26, 2013 and March 13, 2014 decided most of the issues involved in favour of the Bank. However, Commissioner Inland Revenue (CIR)

filed reference applications under section 47 of the Sales Tax Act, 1990 and under section 34A of the Federal Excise Act, 2005 against the aforementioned ATIR orders before the Honorable Islamabad High Court, Islamabad for the aforementioned years. No provision for such contingent liabilities amounting to Rs. 825.121 million has been recognized as the Bank is confident for a favourable outcome.

- 23.2.20 DCIR passed orders relating to FED for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 738.892 million and Rs. 681.109 million respectively. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR who remanded back the case to A.O. for denovo consideration. On remanded back cases by ATIR the A.O. upheld its initial orders. The Bank filed appeal before CIR(A) who upheld the orders of A.O. Being aggrieved the Bank filed appeals before ATIR against the orders of CIR(A). The ATIR in its order cancelled the Assessment Orders for the period January 2013 to December 2013 and January 2014 to December 2014, appeal effects are pending. However the department has filed reference application before Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.21 DCIR passed orders relating to Sales Tax for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 4.470 million (Rs. 1.822 million on advertisement and Rs. 2.647 million on fixed assets) and Rs. 13.295 million (Rs. 2.273 million on advertisement and Rs. 11.122 million on fixed assets) respectively. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). ATIR deleted the addition on fixed assets of Rs. 80.998 million on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses of Rs. 25.598 million on which tax amount of Rs. 4.096 million was involved. However, the department has filed reference application before Islamabad High Court, Islamabad on the issue of fixed asset deletion. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.22 Commissioner, Punjab Revenue Authority (PRA) passed order relating to Punjab Sales Tax on Services (withholding rules 2015) for the period January 2016 to December 2016 creating a demand of Rs. 10.06 million. The Bank filed appeal before Appellate Tribunal, PRA against the alleged order of Commissioner (PRA). The Appellate Tribunal, PRA remanded back the case to the Assessment Officer. The Learned DC (PRA) created demand of Rs.10.06 million. The bank filed Appeal before Commissioner, PRA. Commissioner Appeals (PRA) upheld the assessment order and being aggrieved bank has filed appeal before Appellate Tribunal (PRA). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.23 ATIR, Sindh Revenue Board (SRB) passed the order for the Sales Tax on Services for the period July 2011 to December 2011 creating demand of Rs 4.69 million. ATIR passed the order in favor of the bank wherein addition to Sales Tax against Postal Charges were deleted. However, SRB filed reference application before SHC, U/S 151 CPC 1908. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 23.2.24 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. Bank filed the appeal before the Commissioner, Sindh Revenue Board against the alleged decision of AC(SRB). Main Appeal along with stay application heard and further adjourned but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.25 Assistant Commissioner, Sindh Revenue Board (SRB) passed as order for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The Bank filed the appeal before the Commissioner, SRB against the alleged decision of AC (SRB). Main appeal along with stay application heard and further adjourned but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.26 Order was passed by Deputy Commissioner, FBR for Tax Year 2015/16 creating demand of Rs. 712 million. Appeal & Stay application filed before Commissioner (Appeals) against the impugned order. Hearing for Stay Application was rejected by the Commissioner (Appeals). However, ATIR directed the department to decide the case within 45 days and not to press for recovery of impugned dues without prior notice of 15 days. Further, Stay granted for 30 days by the Honorable High Court. Appellate Order received by the C (IR) confirming the decision of DC (IR). However, Appeal along with stay application filed before AT (IR). AT (IR) granted the stay of impugned demand till the decision of main appeal. However, case was heard and decided in favor of the bank. The department (FBR) has filed reference application before honorable Islamabad High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.27 An order was passed by Deputy Commissioner, IR (FBR) creating a demand of Rs. 29.121 million for Tax Year 2019 (Jan -2019 to Dec-2019). Appeal & Stay application filed before Commissioner (Appeals). Main appeal along with stay application heard and assessment order was remanded back to the assessing officer. Being aggrieved, both the bank and department (FBR) filed appeal before Appellate Tribunal (IR). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- Kissan Support Services (Private) Limited

- 23.2.28 A sales order was passed by department u/s 11(2) dated January 23, 2023 vide which the Company was required to charge and pay sales tax on sales and services declared in income tax return / audited financial statements at Rs. 1,137.504 million for the tax year 2021, whereas, declared sales in sales tax return for the corresponding tax year stand at Rs. 121.633 million therefore sales tax amounting to Rs. 162.539 million is recoverable from Company along with default surcharges and penalty amounting to Rs. 39.610 million and Rs. 8.252 million respectively. An appeal was filed before Commissioner IR (Appeal-IV) which is pending for adjudication. No provision has been made as the management is confident that the decision will be decided in the favour of Company.

- 23.2.29 An order was passed by department u/s 122(5A) dated June 11,2022 vide which Department raised tax demand amounting to Rs. 8.683 million against erroneous refund adjustment for the tax year 2016. An appeal was filed before Commissioner IR (Appeal-IV) who has annulled this unjustified demand. However, the department has filed second appeal with ATIR Islamabad which is pending for adjudication. No provision has been made as the management is confident that the decision will be decided in the favour of the Company.
- 23.2.30 An order was passed by department u/s 122 (5A) vide which department raised tax demand of Rs. 35.167 million against erroneous refund adjustment for the Tax year 2017. An appeal was filed before Commissioner IR (Appeal-IV) based on favorable decision in same case for tax year 2016. No provision has been made as the management is confident that the decision will be decided in the favour of the Company.
- 23.2.31 The Officer IR (LTU), Islamabad has initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the Tax Year 2009 and 2011 and created a demand of Rs. 32 million. The Company submitted detailed reply against the show cause with complete documentary evidences, the case is pending for adjudication. No provision has been made in these financial statements as the management is confident that the decision of the case will be decided in the favor of Company.
- 23.2.32 The Officer IR (LTU), Islamabad initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the financial year ended December 31, 2013 i.e. tax year 2014 and created a demand of Rs. 1.182 million. The Company filed an appeal before the Commissioner IR (Appeals). The Commissioner passed an order against the Company and maintained the assessment of the Officer IR. The Company filed appeal to the Appellate Tribunal Inland Revenue (ATIR), Islamabad. The ATIR, Islamabad has accepted CPR of tax withheld and deposited by the company, which was previously rejected by Officer IR (LTU), and has directed the Officer IR to re-examine the remaining issue by only treating any amount paid to ZTBL as services if payment amount is for other than salary, bonuses, overtime etc. Officer IR was also directed to pass final order within maximum of 180 days of this order. No provision has been made in these financial statements as the management is confident that the decision of the case will be decided in favour of the Company.
- 23.2.33 The Company is facing claims launched in various Courts filed by the employees, pertaining to service promotion, dismissal from service and entry into company's premises and others. The matters are still pending before the Courts. As no amount is involved in most of the cases, therefore, the liability is not accurately quantifiable.

	2022	2021
	Rupees in '000	
23.3 Commitments against		
Capital expenditure	404,071	154,229
Consultancy expenditure	5,628	5,628

	Note	2022 Rupees in '000	2021
24	MARK-UP / RETURN / INTEREST EARNED		
Loans and advances		15,828,212	15,561,244
Investments		19,017,858	4,597,748
Securities purchased under resale agreement		1,685,051	900,295
Call money lendings		759,478	366,966
Balances with banks		2,135,540	1,093,722
Bai Muajjal income		10,256	6,183
		<u>39,436,395</u>	<u>22,526,158</u>
25	MARK-UP / RETURN / INTEREST EXPENSED		
Deposits		3,479,719	2,909,482
Redeemable preference shares - SBP		4,084,615	4,084,615
Securities sold under repurchased agreement		16,907,440	3,122,706
Call borrowings		187,742	14,381
On lease liability against right-of-use assets		112,367	103,679
Bank commission and other charges		10,324	9,337
		<u>24,782,207</u>	<u>10,244,200</u>
26	FEE & COMMISSION INCOME		
Branch banking customer fees		38,839	35,388
Credit related fees		1,021,226	970,894
Commission / exchange gain / (loss) on remittances including home remittances		5,472	(8,163)
		<u>1,065,537</u>	<u>998,119</u>
27	GAIN / (LOSS) ON SECURITIES		
Realised	27.1	<u>32,879</u>	<u>15,006</u>
27.1 Realised gain / (loss) on: Federal Government Securities		<u>32,879</u>	<u>15,006</u>
28	OTHER INCOME		
Rent on property		31,631	46,829
Gain on sale of fixed assets - net		5,022	11,076
Gain on sale of non banking assets - net	15.5.2	7,376	10,646
Deferred income amortization	20.3	528	556
Discount income		95,831	27,640
Others	28.1	20,670	61,705
		<u>161,058</u>	<u>158,452</u>
28.1	Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.		

	Note	2022 Rupees in '000	2021
29 OPERATING EXPENSES			
Total compensation expense	29.1	9,770,958	9,160,958
Property expense			
Rent & taxes		13,949	16,087
Insurance		15,860	15,489
Utilities cost		269,510	206,301
Repair and maintenance (including janitorial charges)		116,076	88,874
Depreciation - right of use assets		255,892	267,448
Depreciation	12.2	38,216	36,688
		709,503	630,887
Information technology expenses			
Software maintenance		4,198	2,533
Hardware maintenance		47,653	28,258
Depreciation	12.2	47,253	64,240
Amortisation	13	46,466	23,912
Network charges		134,859	67,179
		280,429	186,122
Other operating expenses			
Directors' fees and allowances		8,131	6,969
Fees and allowances to Shariah Board		3,617	4,851
Legal and professional charges		209,539	180,477
Travelling and conveyance		114,834	74,272
NIFT clearing charges		19,801	18,360
Depreciation	12.2	147,093	183,651
Training and development		9,964	6,672
Postage and courier charges		24,872	25,932
Communication		34,756	35,888
Stationery and printing		60,223	58,733
Marketing, advertisement and publicity		17,603	6,072
Auditors Remuneration	29.2	7,390	8,060
Donations	29.3	86,400	-
Motor vehicle expenses		512,717	322,971
Others		154,685	178,024
		<u>12,172,515</u>	<u>11,088,899</u>

	Note	2022 Rupees in '000	2021 Rupees in '000
29.1 Total compensation expense			
Salaries		5,257,578	5,585,691
Cash bonus / awards etc.		752,816	583,083
Charge / (reversal) for defined benefit plans:	38.6.5		
- Pension scheme		1,379,452	1,105,209
- Benevolent scheme - officers / executives		(16,439)	(10,982)
- Benevolent scheme - clerical / non-clerical		(62,045)	(50,502)
- Gratuity under old staff regulations		(13,599)	(11,643)
- Gratuity scheme - staff regulation 2005		98,537	110,490
- Gratuity scheme of the Company		66,254	61,897
- Employees' compensated absences		98,266	(170,990)
		1,550,426	1,033,479
Contribution to defined contribution plan	38.1.8	40,329	36,171
Rent and house maintenance		462,194	521,110
Utilities		99,911	114,114
Medical	29.1.1	1,441,174	1,138,980
Conveyance		166,530	148,330
Grand Total		<u>9,770,958</u>	<u>9,160,958</u>

29.1.1 This includes post retirement medical benefit amounting to Rs. 1,207.603 million (2021: Rs. 891.534 million).

29.2 Auditors' remuneration

	2022 Rupees in '000	2021 Rupees in '000
Audit fee	2,227	2,197
Fee for half year review	531	431
Other certifications	2,310	3,000
Sales tax	742	852
Out of pocket expenses	1,580	1,580
	<u>7,390</u>	<u>8,060</u>

29.3 Donations

Details of donations exceeding Rupees 0.5 million is as under;

-Prime Minister Flood Relief Fund, Government of Pakistan	50,000	-
-Akhawat Islamic Micro Finance, Lahore	15,000	-
-Narcotics Control / Canteen Store Department, Government of Pakistan	20,000	-
-NED University, Karachi	600	-
	<u>85,600</u>	<u>-</u>

30 OTHER CHARGES

Penalties imposed by SBP	-	76,359
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	Note	2022 Rupees in '000	2021
31 PROVISIONS AND WRITE-OFFS - NET			
Provisions against loans & advances	11.3.4	3,840,195	7,196,284
Fixed assets charged-off		442	-
Provision / (reversal) against other assets - net	15.7.1	(24,773)	(58,042)
Bad debts written off directly		41	-
Recovery of written off / charged off bad debts		(7,468,993)	(6,360,566)
		<u>(3,653,088)</u>	<u>777,676</u>
32 TAXATION			
Current	32.1	4,886,576	2,933,674
Prior year		-	(1,078)
Deferred		(2,527,546)	570,578
		<u>2,359,030</u>	<u>3,503,174</u>
32.1 Relationship between income tax expense and accounting profit			
Accounting profit for the year		<u>7,536,317</u>	<u>1,703,014</u>
Tax rate		<u>43%</u>	<u>35%</u>
Tax on accounting income		3,240,616	596,055
Tax effect of permanent differences			
Penalties imposed by SBP		-	26,726
Repair allowance and rent collection allowance allowed against rental income		(3,264)	(3,934)
		(3,264)	22,792
Tax effect of prior years		-	(1,078)
Others		(878,322)	2,885,405
Tax charge for the year		<u>2,359,030</u>	<u>3,503,174</u>
		2022	2021
33 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
Profit / (loss) after tax for the year - Rupees in '000		<u>5,177,287</u>	<u>(1,800,160)</u>
Weighted average number of ordinary shares		<u>5,267,843,241</u>	<u>5,267,843,241</u>
Earnings / (loss) per share - basic and diluted (Rupees)		<u>0.98</u>	<u>(0.34)</u>
33.1 There is no dilutive effect on the basic earnings / (loss) per share of the Bank.			
	Note	2022 Rupees in '000	2021
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	2,580,409	5,026,023
Balances with other banks	8	12,615,407	26,815,701
		<u>15,195,816</u>	<u>31,841,724</u>

	2022	2021
	Number	
35 STAFF STRENGTH		
Permanent	4,163	4,539
Contractual	3,388	3,559
Total staff strength	<u>7,551</u>	<u>8,098</u>

36 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 30, 2022 has reaffirmed credit rating of the Bank at AAA (2021: AAA) with stable outlook and short-term credit rating of A-1+ (2021: A-1+).

37 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2022	2021
		Rupees in '000	
Profit before taxation		7,536,317	1,703,014
Less: Dividend income		<u>(142,082)</u>	<u>(192,413)</u>
		7,394,235	1,510,601
Adjustments:			
Depreciation	12.2	232,562	284,579
Depreciation on right-of-use assets		255,892	267,448
Amortization	13	46,466	23,912
Amortization of deferred income	20.3	(528)	(556)
Markup on lease liability on right-of-use assets		112,367	103,679
Provisions and write-offs	31	3,815,905	7,138,242
Provision for employees post retirement medical benefits	38.6.5	1,207,603	891,534
Charge for defined benefit plans - net	29.1	1,550,426	1,033,479
Gain on securities		(32,879)	(15,006)
Gain on sale of operating fixed assets	28	(5,022)	(11,076)
		<u>7,182,792</u>	<u>9,716,235</u>
		<u>14,577,027</u>	<u>11,226,836</u>

38 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Group operates the following retirement benefit plans for its employees:

- Pension Scheme - funded
- Benevolent Scheme - funded
- Employees Gratuity Scheme - funded
- Post Retirement Medical Benefits - unfunded
- Employees Compensated Absences - unfunded
- Gratuity scheme of the Company
- Defined Contribution Plan

38.1 Brief description of each fund is as follows:

38.1.1 Pension scheme

The Bank operates an approved pension scheme for employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives. The contributions are made on the basis of actuarial recommendation.

38.1.2 Benevolent scheme - officers

The Bank operates an approved funded benevolent scheme for all officers / executives of the Bank for which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 200, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.3 Benevolent scheme - staff

The Bank operates an approved funded benevolent scheme for all clerical / non-clerical staff for which contributions are made at different rates but not exceeding Rs. 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.4 Gratuity under old Staff Regulations - SSR 1961

For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

38.1.5 Gratuity under Staff Regulations - 2005 (SR-2005)

The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005. Contributions to this Fund are made by the Bank on the basis of actuarial valuation.

38.1.6 Post retirement medical benefits

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

38.1.7 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

38.1.8 Gratuity scheme of the Company

The scheme provides for terminal benefits for all permanent employees of the Company whose period of service is atleast one year. Employees are entitled to gratuity on the basis set out in the Company's staff regulations.

38.1.9 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 1,885 (2021: 2,131) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made only by employees at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 2,271 (2021: 2,408) employees governed under SR-2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank, if their remaining service is more than ten years from the date of option / appointment, at the rate of 2% of monetized salary per month. During the year, the Bank contributed Rs. 40.329 million (2021: Rs.36.171 million) in respect of this fund.

The Bank has contributory provident fund scheme for benefit of all its permanent employees. The Funds are maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Bank. The titles of the funds are as follow;

Employees Provident Fund;
Employees Provident Fund (Officers);
Employees Provident Fund (Staff); and
Employees Contributory Provident Fund

The size of the Funds at the reporting date was Rs. 6,057.80 million (2021: Rs. 5,657.89 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 5,924.44 million (2021: Rs. 5,569.89 million) which is equal to 97.80% (2021: 98.44%) of the total fund size. The fair values of the investments amount to Rs. 6,057.80 million (2021: Rs. 5,657.89 million) at that date. The category wise break up of investment is given below:

	2022	2021
	Rupees in '000	
Term Deposit Receipts	3,037,000	4,298,800
Government securities	2,887,436	1,271,090
	<u>5,924,436</u>	<u>5,569,890</u>

38.2 Funding policy

Schemes are funded on the basis of actuarial recommendation subject to maximum permissible limits under Income Tax rules. Any deficit in defined benefit plans is to be met by the Bank.

38.3 Risks associated with defined benefit plans

Investment risk

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

38.4 Principal actuarial assumption

Latest actuarial valuation is carried out as at December 31, 2022. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2022	2021
 %	
Valuation discount rate - pension & medical scheme under SSR-1961	14.50	11.75
Valuation discount rate - all other schemes	14.50	11.75
Expected rate of increase in salary	12.50	9.75
Expected rate of return on plan assets - pension fund	14.50	11.75
Expected rate of return on plan assets - other funds	14.50	11.75
Expected rate of increase in pension	10.25	7.50
Expected rate of medical inflation - allowances	12.50	9.75
Expected rate of medical inflation - hospitalization	14.50	11.75

38.5 Number of employees under the scheme

The number of employees (including beneficiaries) covered under the following defined benefit schemes are:

	2022	2021
	Number	
- Pension Scheme - funded	4,996	5,002
- Benevolent Scheme (officers) - funded	4,846	4,985
- Benevolent Scheme (staff) - funded	893	871
- Gratuity under old Staff Regulations - SSR 1961	-	-
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,271	2,408
- Post Retirement Medical Benefits - unfunded	6,093	6,283
- Employees Compensated Absences - unfunded	4,156	4,539
- Gratuity scheme of the Company	1,497	1,602

38.6 Defined benefit plans

38.6.1 Reconciliation of payable to / (receivable from) defined benefit plans

	2022						2021								
	Benevolent scheme			Gratuity			Benevolent scheme			Gratuity					
	Officers	Staff	SSR-1961	SR-2005	Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	Officers	Staff	SSR-1961	SR-2005	Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	
	Rs. in '000														
Present value of benefit obligation	38.6.2	19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516	345,523						
Fair value of plan assets	38.6.3	(12,138,053)	(1,197,179)	(722,950)	-	(2,293,810)	-	-	-						
Unrecognized due to impact of asset ceiling	38.6.4	7,633,256	(568,639)	(617,363)	-	(705,747)	10,063,017	2,087,516	345,523						
Net liability / (asset)		7,633,256	-	-	-	(705,747)	10,063,017	2,087,516	345,523						
		Rs. in '000													
		21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620	303,966						
Fair value of plan assets		(12,062,461)	(1,177,638)	(663,198)	(115,744)	(2,105,447)	-	-	-						
Unrecognized due to impact of asset ceiling		9,099,720	(401,478)	(541,518)	(115,744)	(479,794)	7,964,423	2,229,620	303,966						
Net liability / (asset)		9,099,720	-	-	(115,744)	(479,794)	7,964,423	2,229,620	303,966						

38.6.2 Movement in defined benefit obligations

	2022						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Pension							
	21,162,181	776,160	121,680	-	1,625,653	7,964,423	303,966
Obligations at the beginning of the year							
Current service cost	321,996	40,075	3,245	-	165,786	294,524	50,930
Interest cost	2,392,443	84,524	13,532	-	175,656	913,079	247,859
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	(387,079)	(240,371)
Contribution - employees	-	(8,358)	(1,487)	-	-	-	-
Re-measurement loss / (gain)	(2,503,387)	(150,243)	(18,354)	-	(117,611)	1,278,070	(200,523)
Obligations at the end of the year	19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516
	2021						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Pension							
	21,170,288	815,669	102,346	-	1,757,964	6,606,148	290,550
Obligations at the beginning of the year							
Current service cost	288,140	35,861	2,904	-	148,354	263,556	45,571
Interest cost	1,979,525	74,195	9,350	-	157,341	627,978	246,298
Benefits paid	(1,734,930)	(109,382)	(12,900)	-	(288,423)	(330,702)	(251,057)
Contribution - employees	-	(9,582)	(1,742)	-	-	-	-
Transferred employees	-	-	-	-	-	-	-
Re-measurement loss / (gain)	(540,842)	(30,601)	21,722	-	(149,583)	797,443	(462,859)
Obligations at the end of the year	21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620

38.6.3 Movement in fair value of plan assets

	2022							
	Benevolent scheme			Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005	SR-2005			
	Rs. in '000							
Fair value at the beginning of the year	12,062,461	1,177,638	663,198	115,744	2,105,447	-	-	-
Interest income on plan assets	1,334,987	132,680	77,335	13,599	242,905	-	-	-
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	-	-	-
Contributions - employer	200,182	8,358	1,487	-	185,085	-	-	-
Contributions - employees	-	8,358	1,487	-	-	-	-	-
Transferred from gratuity to pension	122,876	-	-	(122,876)	-	-	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	19,471	(16,237)	(7,528)	(6,467)	21,794	-	-	-
Fair value at the end of the year	12,138,053	1,197,179	722,950	-	2,293,810	-	-	-

	2021							
	Benevolent scheme			Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005	SR-2005			
	Rs. in '000							
Fair value at the beginning of the year	12,665,783	1,188,246	630,492	119,412	2,057,908	-	-	-
Interest income on plan assets	1,162,456	111,456	61,014	11,643	195,205	-	-	-
Benefits paid	(1,734,930)	(109,382)	(12,900)	-	(288,423)	-	-	-
Contributions - employer	248,620	9,582	1,742	-	176,806	-	-	-
Contributions - employees	-	9,582	1,742	-	-	-	-	-
Transferred from gratuity to pension	15,076	-	-	(15,076)	-	-	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	(294,544)	(31,846)	(18,892)	(235)	(36,049)	-	-	-
Fair value at the end of the year	12,062,461	1,177,638	663,198	115,744	2,105,447	-	-	-

38.6.5 Charge / (reversal) for defined benefit plans

38.6.5.1 Cost recognised in profit and loss

	2022						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Pension							
	Rs. in '000						
Current service cost	321,996	3,245	-	165,786	294,524	50,930	31,516
Net interest on defined benefit asset / liability	1,057,456	(63,803)	(13,599)	(67,249)	913,079	247,859	34,738
Actuarial (Gain) / Losses	-	-	-	-	-	(200,523)	-
Contributions - employees	(8,358)	(1,487)	-	-	-	-	-
	1,379,452	(62,045)	(13,599)	98,537	1,207,603	98,266	66,254

	2021						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Pension							
	Rs. in '000						
Current service cost	288,140	2,904	-	148,354	263,556	45,571	33,435
Net interest on defined benefit asset / liability	817,069	(51,664)	(11,643)	(37,864)	627,978	246,298	28,462
Actuarial (Gain) / Losses	-	-	-	-	-	(557,045)	-
Contributions - employees	(9,582)	(1,742)	-	-	-	-	-
	1,105,209	(50,502)	(11,643)	110,490	891,534	(265,176)	61,897

38.6.5.2 Re-measurements recognised in OCI during the year

	2022						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Pension							
	Rs. in '000						
Loss / (gain) on obligation : - experience adjustment	(2,503,387)	(18,354)	-	(117,611)	1,278,070	-	2,911
Return on plan assets over interest income	(19,471)	7,528	6,467	(21,794)	-	-	-
Asset ceiling adjustment	-	158,803	-	-	-	-	-
Total re-measurement recognised in OCI	(2,522,858)	24,797	6,467	(139,405)	1,278,070	-	2,911

Pension	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
	-	-	-	-	-	-
(540,842)	(30,601)	21,722	-	(149,583)	797,443	-
294,544	31,846	18,892	235	36,049	-	-
-	19,320	11,630	-	-	-	-
(246,298)	20,565	52,244	235	(113,534)	797,443	(33,900)

Loss / (gain) on obligation :
- financial assumptions
- experience adjustment
Return on plan assets over interest income
Asset ceiling adjustment
Total re-measurement recognised in OCI

38.6.6 Components of plan assets

Pension	2022					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
6,995,409	543,750	475,522	-	1,343,224	-	-
4,506,271	653,429	247,428	-	944,586	-	-
636,373	-	-	-	6,000	-	-
12,138,053	1,197,179	722,950	-	2,293,810	-	-

Cash and cash equivalents - net
Government securities
Debtors and creditors

Pension	2021					
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
8,245,145	510,190	420,949	270	1,188,188	-	-
2,959,518	667,468	242,268	115,492	915,277	-	-
857,799	(19)	(19)	(19)	1,981	-	-
12,062,462	1,177,639	663,198	115,743	2,105,446	-	-

Cash and cash equivalents - net
Government securities
Debtors and creditors

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516	345,523
19,321,005	601,982	99,374	-	1,472,715	8,683,630	1,954,753	316,589
23,550,013	657,914	112,551	-	1,724,830	11,798,747	2,243,142	378,921
21,322,512	-	-	-	1,727,261	10,222,817	2,245,873	380,675
20,521,909	-	-	-	1,468,895	9,915,591	1,950,365	314,645
23,204,112	-	-	-	-	10,957,412	-	-
19,577,383	-	-	-	-	8,062,132	-	-
19,773,285	-	-	-	1,589,882	-	-	346,394
19,769,331	-	-	-	1,586,112	-	-	344,617
22,192,341	-	-	-	1,587,287	-	-	345,408
21,042,388	-	-	-	1,588,795	-	-	345,639
10.69	4.45	6.24	0	7.94	16.24 for SSR-1961 5.86 for SR-2005	6.91	9.20
1,383,493	(53,923)	(88,781)	-	57,849	1,790,815	351,530	80,865
211,954	9,403	1,673	-	125,821	-	-	-

38.6.7 Sensitivity analysis

Current liability	
+1% discount rate	
-1% discount rate	
+1% salary increase	
-1% salary increase	
+1% pension increase / medical inflation rate	
-1% pension increase / medical inflation rate	
+10% withdrawal rates	
-10% withdrawal rates	
1 year mortality age set back	
1 year mortality age set forward	

38.6.8 Maturity profile

Weighted average duration of obligation (in years)

38.6.9 Expected charge / (reversal) for next year

38.6.10 Expected contribution for next year

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

2022

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
Fees and Allowances etc.	105	3,985	177	-	-	-
Managerial Remuneration:						
Salaries	-	-	3,440	22,694	82,122	62,895
Cash bonus / awards etc.	-	-	-	-	9,288	14,474
Charge for defined benefit plan	-	-	-	-	5,560	4,803
Contribution to defined contribution plan	-	-	-	-	1,012	816
Rent & house maintenance	-	-	-	12,481	742	1,607
Utilities	-	-	-	712	186	402
Medical	-	-	-	948	167	377
Conveyance	-	-	-	-	656	434
Club Facility	-	-	-	2,398	-	-
Leave Fare Assistance	-	-	-	3,404	-	-
Total	105	3,985	3,617	42,637	99,733	85,808
Number of Persons	-	7	3	1	16	38

2021

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
Fees and Allowances etc.	-	3,320	256	-	-	-
Managerial Remuneration:						
Salaries	-	-	4,430	20,765	63,861	77,943
Cash bonus / awards etc.	-	-	165	-	17,785	12,470
Charge for defined benefit plan	-	-	-	-	4,889	6,657
Contribution to defined contribution plan	-	-	-	-	931	833
Rent & house maintenance	-	-	-	10,856	454	1,173
Utilities	-	-	-	469	113	293
Medical	-	-	-	353	102	270
Conveyance	-	-	-	650	634	276
Leave fare assistance	-	-	-	4,208	-	-
Total	-	3,320	4,851	37,301	88,769	99,915
Number of Persons	-	7	3	1	28	53

39.4 Remuneration paid to Shariah Board Members

Items	2022				2021			
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member	Resident Member	Non-Resident Member
Meeting Fees and Allowances	-	-	177	104	-	-	-	152
Contractual salary	-	1,575	1,865	990	1,575	1,865	1,575	1,865
Cash bonus	-	-	-	-	102	63	102	63
Total	-	1,575	2,042	1,094	1,677	2,080	1,677	2,080
Total Number of Persons	0	1	1	1	1	1	1	1

40 FAIR VALUE MEASUREMENT

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, fixed term deposits and borrowings 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.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

40.1 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).

40.2 Valuation technique used & key inputs

Revaluation rates for Treasury Bills and Pakistan Investment Bonds are contributed by money market brokers on daily basis while for listed securities daily prices are shared by Pakistan Stock Exchange.

Investment in subsidiary and other unlisted securities have not been carried out at fair value in accordance with the SBP guidelines.



40.3 Fair value of financial assets

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:

	2022			
	Level 1	Level 2	Level 3	Total
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	301,598,693	-	301,598,693
- Shares	2,527,334	-	-	2,527,334
- Debt securities (TFCs, Sukuk)	2,623,658	-	-	2,623,658
	<u>5,150,992</u>	<u>301,598,693</u>	<u>-</u>	<u>306,749,685</u>
	2021			
	Level 1	Level 2	Level 3	Total
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	77,128,568	-	77,128,568
- Shares	2,465,115	-	-	2,465,115
- Debt securities (TFCs, Sukuk)	2,713,562	-	-	2,713,562
	<u>5,178,677</u>	<u>77,128,568</u>	<u>-</u>	<u>82,307,245</u>

41 SEGMENT INFORMATION
41.1 Segment Details with respect to Business Activities:

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

	2022				Total
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Support Services Limited	
	..... Rupees in '000				
Profit & Loss					
Net mark-up/return/profit	8,373,818	6,179,029	100,652	689	14,654,188
Inter segment revenue - net	1,347,308	(1,464,705)	-	117,397	-
Non mark-up / return / interest income	1,221,037	32,879	399	147,241	1,401,556
Total Income	10,942,163	4,747,203	101,051	265,327	16,055,744
Segment direct expenses	12,002,009	43,679	61,369	65,458	12,172,515
Inter segment expense allocation	(121,510)	-	-	121,510	-
Total expenses	11,880,499	43,679	61,369	186,968	12,172,515
Provisions	(3,653,088)	-	-	-	(3,653,088)
Profit before tax	2,714,752	4,703,524	39,682	78,359	7,536,317
Statement of Financial Position					
Cash & Bank balances	2,547,857	12,549,331	81,584	17,044	15,195,816
Investments	-	304,881,662	1,868,023	-	306,749,685
Net inter segment lendings	39,570,002	-	-	1,293,028	40,863,030
Lendings to financial institutions	-	37,071,867	2,551,275	-	39,623,142
Advances - performing	73,884,456	-	-	-	73,884,456
- non-performing (net of provision)	16,567,924	-	-	-	16,567,924
Others	34,713,750	4,197,471	60,238	184,702	39,156,161
Total Assets	167,283,989	358,700,331	4,561,120	1,494,774	532,040,214
Borrowings	54,461,536	299,893,550	543,627	-	354,898,713
Subordinated debt	-	-	-	-	-
Deposits & other accounts	42,910,761	-	3,216,540	-	46,127,301
Net inter segment borrowing	1,293,028	38,970,002	500,000	100,000	40,863,030
Others	25,971,176	3,012,484	60,165	482,553	29,526,378
Total Liabilities	124,636,501	341,876,036	4,320,332	582,553	471,415,422
Equity	58,817,545	913,828	(18,802)	912,221	60,624,792
Total Equity & Liabilities	183,454,046	342,789,864	4,301,530	1,494,774	532,040,214
Contingencies & Commitments	51,447,274	-	-	287,433	51,734,707

	2021				Total
	Branch banking & agri financing	Treasury	Islamic banking		
	..... Rupees in '000				
Profit & Loss					
Net mark-up/return/profit	8,674,055	3,533,500	74,277	126	12,281,958
Inter segment revenue - net	700,189	(781,686)	-	81,497	-
Non mark-up / return / interest income	1,232,955	15,006	518	115,511	1,363,990
Total Income	10,607,199	2,766,820	74,795	197,134	13,645,948
Segment direct expenses	11,007,195	41,871	61,849	54,343	11,165,258
Inter segment expense allocation	(222,792)	-	-	222,792	-
Total expenses	10,784,403	41,871	61,849	277,135	11,165,258
Provisions	777,676	-	-	-	777,676
Profit/(loss) before tax	(954,880)	2,724,949	12,946	(80,001)	1,703,014
Statement of Financial Position					
Cash & Bank balances	2,360,075	27,856,545	1,620,081	5,023	31,841,724
Investments	-	80,851,365	1,355,880	-	82,307,245
Net inter segment lending	40,157,611	-	-	1,202,129	41,359,740
Lendings to financial institutions	-	16,828,212	51,275	-	16,879,487
Advances - performing	74,456,385	-	-	-	74,456,385
- non-performing (net of provision)	17,365,922	-	-	-	17,365,922
Others	30,334,099	1,477,903	45,698	191,187	32,048,887
Total Assets	164,674,092	127,014,025	3,072,934	1,398,339	296,259,390
Borrowings	54,461,536	76,845,499	1,050,000	-	132,357,035
Subordinated debt	-	-	-	-	-
Deposits & other accounts	41,064,578	-	1,430,811	-	42,495,389
Net inter segment borrowing	1,202,129	39,557,611	500,000	100,000	41,359,740
Others	24,644,769	147,424	26,103	438,493	25,256,789
Total Liabilities	121,373,012	116,550,534	3,006,914	538,493	241,468,953
Equity	52,968,290	989,649	(27,347)	859,846	54,790,437
Total Equity & Liabilities	174,341,302	117,540,183	2,979,567	1,398,339	296,259,390
Contingencies & Commitments	38,378,832	-	-	33,282	38,378,832

41.2 Segment Details with respect to geographical locations

The Bank operates only in Pakistan and hence no geographical location wise disclosure is presented.

42 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

43 RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its subsidiary company, employee benefit plans, Agriculture Technology Development Fund and the Group's key management personnel.

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as disclosed in note 38 to these financial statements. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to President, directors and executives and disposal of vehicles to employees are disclosed in note 39 and note 12.6 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2022	2021	2022	2021	2022	2021
..... Rupees in '000'						
Investments	-	-	-	-	-	-
Advances						
Opening balance	65,889	49,892	-	-	-	-
Addition	11,845	31,175	-	-	-	-
Repaid	(16,915)	(15,178)	-	-	-	-
Closing balance	60,819	65,889	-	-	-	-
Other assets						
Interest / mark-up accrued	9,397	9,099	-	-	-	-
Receivable at the end of the year	-	-	705,747	595,538	-	-
Deposits and other accounts						
Opening balance	5,762	5,927	10,239,704	9,695,509	219,488	205,600
Received during the year	184,167	96,265	38,047,598	22,770,608	422,633	383,884
Withdrawn during the year	(189,657)	(96,430)	(39,160,844)	(22,226,413)	(405,135)	(369,996)
Closing balance	272	5,762	9,126,458	10,239,704	236,986	219,488
..... Rupees in '000'						
..... Rupees in '000'						
Other liabilities						
Interest / mark-up payable	-	-	252,017	131,530	9,295	4,305
Payable at the end of the year	-	-	19,783,789	19,293,763	-	-
Income						
Mark-up / interest earned	1,526	1,396	-	-	-	-
Rental income	-	-	-	-	-	-
Expense						
Mark-up / interest paid	-	-	1,029,592	606,090	17,919	14,770
Compensation	135,268	94,226	-	-	-	-
Post retirement benefit	6,508	4,889	-	-	-	-
Contribution to defined benefit plan	1,133	931	-	-	-	-
Cost of services rendered	-	-	-	-	-	-

43.1 Transactions with Government related entities

The Federal Government through SBP holds controlling interest in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the normal course of business enters into transaction with Government-related entities. Such transactions include deposits from and provision of other banking services to Government-related entities. However, these transactions have not been treated as related parties transactions for the purpose of this disclosure.

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2022	2021
	... Rupees in '000 ...	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	51,474,650	46,641,416
Capital Adequacy Ratio:		
Eligible Common Equity Tier 1 (CET 1) Capital	49,561,886	44,965,422
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	49,561,886	44,965,422
Eligible Tier 2 Capital	2,476,117	2,498,563
Total Eligible Capital (Tier 1 + Tier 2)	52,038,003	47,463,985
Risk Weighted Assets (RWAs):		
Credit Risk	124,983,113	120,713,094
Market Risk	5,054,675	4,930,225
Operational Risk	24,428,975	20,987,838
Total	154,466,763	146,631,157
Common Equity Tier 1 Capital Adequacy Ratio	32.09%	30.67%
Tier 1 Capital Adequacy Ratio	32.09%	30.67%
Total Capital Adequacy Ratio	33.69%	32.37%

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2022 stands at Rs. 52.678 billion and is in compliance with the SBP requirement. In addition, the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 11.50% (2021: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2022 is 33.69% (2021: 32.37%) of its risk weighted exposure.

	2022	2021
	... Rupees in '000 ...	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	49,561,887	44,965,422
Total exposures	491,428,983	331,810,281
Leverage ratio	10.09%	13.55%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	28,539,604	19,761,909
Total Net Cash Outflow	3,922,893	2,714,031
Liquidity Coverage Ratio	728%	728%
Net Stable Funding		
Total Available Stable Funding	171,167,420	143,009,369
Total Required Stable Funding	132,439,520	112,581,390
Net Stable Funding Ratio	129%	127%

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is placed on the website of the Bank. The link to the full disclosure is available at <http://www.ztbl.com.pk>.

45 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity and operational risks.

Risk management is a dynamic process of identification, measurement and monitor and control risks with the aim to optimize risk-reward trade-off. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, enterprise risk management division and its departments responsible for each category of risk i.e. Loan Review, IT risk, Collateral Management and Portfolio analytics covering Portfolio credit risk, market & liquidity risk, operational and equity position risks. The Bank's risk management function is independent of the business and operations and directly reports to the President through Divisional Head. The Bank's systematic and integrated risk management function for each category of risk is as follows:

45.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio. The Bank's credit appraisal structure is well-defined. Credit appraisal, approval and review methods are integral parts of lending operations. The credit portfolio is reviewed and analyzed on quarterly basis and reports are submitted to the Management for decision making.

The Obligor Risk Rating (ORR) model for fresh borrowers is in place as the credit risk rating of the borrower is a concise indicator to evaluate Bank's credit exposure. An internal rating system categorizes all credits into various classes on the basis of underlying credit quality. The ultimate objective of the system is to generate accurate and consistent risk ratings and portfolio monitoring / analysis.

Regarding Basel Accords compliance, the Bank has implemented Standardized Approach (SA) for calculation of capital charge against credit risk weighted assets.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.1 Lendings to financial institutions

Credit risk by public/ private Sector

	Gross Lending		Non-performing		Provision held	
	2022	2021	2022	2021	2022	2021
	..... Rupees in '000					
Public / Government	38,623,142	14,968,565	-	-	-	-
Private	1,000,000	1,910,922	-	-	-	-
	<u>39,623,142</u>	<u>16,879,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	51,165,593	38,111,241
Individuals	281,681	267,591
	<u>51,447,274</u>	<u>38,378,832</u>

Credit risk by public / private sector

Public / Government	50,400,405	37,492,458
Private	1,046,869	886,374
	<u>51,447,274</u>	<u>38,378,832</u>

45.1.5 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	59,684,400	59,684,400	-	-	-	-	-
Sindh	5,554,110	-	5,554,110	-	-	-	-
KPK including FATA	3,027,014	-	-	3,027,014	-	-	-
Balochistan	281,335	-	-	-	281,335	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit Baltistan	1,084,418	-	-	-	-	-	1,084,418
Total	<u>69,631,277</u>	<u>59,684,400</u>	<u>5,554,110</u>	<u>3,027,014</u>	<u>281,335</u>	<u>-</u>	<u>1,084,418</u>

2021

Province / Region	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	58,181,554	58,181,554	-	-	-	-	-
Sindh	6,415,189	-	6,415,189	-	-	-	-
KPK including FATA	3,071,683	-	-	3,071,683	-	-	-
Balochistan	248,623	-	-	-	248,623	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	1,244,765	-	-	-	-	-	1,244,765
Total	69,161,814	58,181,554	6,415,189	3,071,683	248,623	-	1,244,765

..... Rupees in '000

45.2 Market Risk

The Bank is not involved in commercial activities like forex trading and derivative market operations. Investment portfolio of the Bank is being placed mainly in fixed income securities such as Market Treasury Bills, Pakistan Investment Bonds, etc. and the only market risk inherent in the said portfolio is interest rate risk which is being calculated through marking to market and further Bank's resilience is gauged through stress testing scenarios and interest rate sensitivity analysis.

45.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Operational Loss Event Data Collection. This model has been successfully implemented in all Bank wide entities. The data of the Operational Risk Model is collected and analyzed on quarterly basis and results are elevated to senior management / Internal Risk Management Committee.

With regards to Basel Accords compliance, the Bank has implemented Basic Indicator Approach (BIA) to calculate capital charge against operational risk weighted assets. Disaster recovery and business continuity plan includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

45.4 Liquidity risk

Liquidity risk is the major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. Liquidity risk is being calculated by maturity ladder of balance sheet items, liquidity stress testing, regulatory returns on liquidity standards under Basel III, and different analysis for management purpose.

45.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

2022

	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	Above 5 years
Assets														
Cash and balances with treasury banks	2,580,409	2,580,409	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	12,615,369	12,518,846	-	-	308,191	-	-	-	-	96,523	-	-	-	-
Lending to financial institutions	39,623,142	-	38,071,867	-	20,000,000	235,436	-	51,275	-	(543,627)	-	-	-	-
Investments - net	306,849,685	-	-	-	28,059,000	28,059,000	205,550,000	7,845,900	-	17,905,454	12,545,500	2,025,000	11,218,921	1,699,910
Advances - net	90,452,380	1,588,601	478,350	617,914	3,701,043	3,097,366	2,310,839	21,585,362	7,536,091	6,809,433	13,336,747	9,503,391	17,457,126	2,430,117
Fixed assets	2,400,851	-	-	-	725,258	-	17,458	5,341	-	88,371	188,836	136,610	445,014	793,963
Intangible assets	73,159	-	-	-	-	-	-	-	-	-	55,903	17,256	-	-
Deferred tax assets - net	15,036,259	-	-	-	-	-	-	-	-	15,036,259	-	-	-	-
Other assets	21,461,189	392,899	84,987	1,10,685	5,146,069	1,231,722	800,230	1,161,342	2,049,724	9,524,580	354,433	119,359	349,755	135,404
	491,092,443	17,080,755	38,635,204	2,228,599	29,880,561	32,623,524	208,678,527	30,649,220	9,585,815	48,916,993	26,481,419	11,801,616	29,470,816	5,039,394
Liabilities														
Bills payable	580,505	580,505	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	354,898,713	-	34,100,000	-	36,308,191	225,572,613	5,000,000	-	-	(543,627)	-	-	54,461,536	-
Deposits and other accounts	47,332,694	14,815,799	78,499	150,000	781,999	400,000	5,595,227	1,728,441	293,444	22,747,967	8,888	82,430	50,000	600,000
Other liabilities	28,567,957	-	-	-	230,479	45,856	4,381,195	23,287	355,683	23,520,184	68	1,261	765	9,179
	431,379,869	15,396,304	34,178,499	150,000	37,320,669	226,018,469	14,976,422	1,751,728	649,127	45,724,524	8,956	83,691	54,512,301	609,179
Net assets	59,712,574	1,684,451	4,456,705	2,078,599	(7,440,108)	(193,394,945)	193,702,105	28,897,492	8,936,688	3,192,469	26,472,463	11,717,925	(25,041,485)	4,450,215
Share capital	52,678,433													
Reserves	7,324,095													
Unappropriated loss	(1,203,782)													
Surplus on revaluation of assets	913,828													
	<u>59,712,574</u>													



46 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 MAR 2023 by the Board of Directors of the Bank.

48 GENERAL

The figures in the financial statements are rounded off to the nearest thousand rupees.


President


Chief Financial Officer


Director


Director


Director

Annexure-I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2022

1 Sr. No.	2 Name and address of the borrower	3 Name of individual / partners / directors	4 CNIC number	5 Father's / husband's name	6 Outstanding liabilities at beginning of the year				9 Total	10 Principal written off	11 Interest/ markup written-off / waived	12 Other financial relief provided	13 Total (10+11+12)
					7 Principal	8 Interest/ markup	8 Others	9 Total					
1	Liaquat Ali	Liaquat Ali	2950580458337	Muhammad Ismail	306.868	46.698	-	353.566	306.868	517.292	-	824.160	
2	Muhammad Hanif	Muhammad	30158318858	Muhammad Ramzan	607.705	398.166	-	1,005.871	607.705	398.166	-	1,005.871	
					914.573	444.864	-	1,359.437	914.573	915.458	-	1,830.031	

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 5 (2021: 5) Islamic banking branches at the end of the year.

	Note	2022 Rupees in '000	2021
ASSETS			
Cash and balances with treasury banks		54,914	153,794
Balances with other banks		26,670	1,466,287
Due from financial institutions	1	2,551,275	51,275
Investments	2	1,868,023	1,355,880
Islamic financing and related assets - net		-	-
Fixed assets		5,941	7,595
Intangible assets		-	-
Due from Head Office		-	-
Other assets		54,297	38,103
Total Assets		4,561,120	3,072,934
LIABILITIES			
Bills payable		1,367	1,572
Due to financial institutions		543,627	1,050,000
Deposits and other accounts	3	3,216,540	1,430,811
Due to Head Office	4	259,590	93,367
Subordinated debt		-	-
Other liabilities		58,798	24,531
		4,079,922	2,600,281
NET ASSETS		481,198	472,653
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		(25,955)	(14,049)
Accumulated loss	5	7,153	(13,298)
		481,198	472,653
CONTINGENCIES AND COMMITMENTS	6		

Annexure - II

The profit and loss account of the Bank's Islamic banking branches for the year ended is as follows:

	Note	2022 Rupees in '000	2021
Profit / return earned	7	377,751	231,933
Profit / return expensed	8	277,099	157,656
Net Profit / return		100,652	74,277
Other income			
Fee and Commission Income		399	480
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	38
Other Income		-	-
Total other income		399	518
Total Income		101,051	74,795
Other expenses			
Operating expenses		61,369	61,849
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		61,369	61,849
Loss before provisions		39,682	12,946
Provisions and write offs - net		-	-
Loss before taxation		39,682	12,946
Taxation		19,231	4,636
Loss after taxation		20,451	8,310

	2022		2021		Total
	In Local Currency	In Foreign currencies	In Local Currency	In Foreign currencies	
..... Rupees in '000					

1 Due from Financial Institutions

Secured :

Bai Muajjal Receivable from State Bank of Pakistan

Unsecured

	51,275	-	51,275	51,275	-	51,275
	2,500,000	-	2,500,000	-	-	-
	2,551,275	-	2,551,275	51,275	-	51,275

2 Investments

	2022		2021		Carrying value	Surplus / (deficit)	Provision for diminution	Cost / amortised cost	Carrying value	Surplus / (deficit)	Provision for diminution	Carrying value
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value								
..... Rupees in '000												
Federal Government securities												
Ijarah sukuk	1,325,057	-	(25,955)	1,299,102	775,354	-	(17,461)	757,893				
Non Government Securities												
Listed securities	568,921	-	-	568,921	594,575	-	3,412	597,987				
Total investments	1,893,978	-	(25,955)	1,868,023	1,369,929	-	(14,049)	1,355,880				

	2022	2021
	Rupees in '000	
3 Deposits		
Customers - local currency		
Current deposits	125,292	72,701
Savings deposits	2,952,183	1,168,788
Term deposits receipts	134,668	189,310
Others	4,397	12
	3,216,540	1,430,811
Financial Institutions		
Term deposits receipts	-	-
	<u>3,216,540</u>	<u>1,430,811</u>
3.1 Composition of deposits		
- Individuals	216,489	72,712
- Non-Banking Financial Institutions	2,590,982	1,168,789
- Private Sector	52,223	
-Govt./Public Sector Entities	356,846	189,310
	<u>3,216,540</u>	<u>1,430,811</u>
3.2	This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 265.845 million (2021: Rs. 209.753 million).	
4	Due from head office represents inter branch transactions such as depreciation transferred and assets procurement etc.	
	2022	2021
	Rupees in '000	
5 Islamic Banking Business Unappropriated Profit		
Opening Balance	(13,298)	(21,608)
Add: Islamic Banking period for the year	39,682	12,946
Less: Taxation	19,231	4,636
Closing Balance	<u>7,153</u>	<u>(13,298)</u>
6	There are no contingencies and commitments related to the islamic business as at reporting date. (2021: Nil)	
7 Profit / return earned of financing, investments and placement		
Profit earned on:		
Investments	201,212	82,208
Placements	176,539	149,725
Total	<u>377,751</u>	<u>231,933</u>

	2022	2021
	Rupees in '000	
8 Profit on deposits and other dues expensed		
Deposits and other accounts	174,172	144,282
Commission and other charges	154	86
Call borrowings/ Funds acceptances	102,773	13,288
	277,099	157,656

9 Pool Management

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining five pools for profit declaration and distribution i.e., general pool, special pool 1, special pool 2, special pool 4 and special pool 5.

General pool

The General Pool comprises of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from ZTBL Head Office. The Bank acts as fund manager (Mudarib) and invests the funds in shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on the basis of daily product balance in mudaraba based depositors' accounts and paid as per pre-defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period of deposits;
- Frequency of profit distribution, i.e. monthly, quarterly or on maturity; and
- Volume of the deposit.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of general

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah

- compliant organizations as regulated in Pakistan;
- Element of risk attributed to various types of investments; and
- SBP rules & Shariah Clearance.

Special pool

The special pools comprise of depositors' funds, Bank's equity inclusive of current deposits and Mudaraba placements from head office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages. While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.;
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity; and
- Magnitude of risk.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of special pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from principal office, Islamic banking institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attached to various types of investments; and
- SBP rules & Shariah Clearance.

Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

	2022	2021
	Rupees in '000	
Investments	1,868,023	1,355,880
Due from financial institutions	2,551,275	51,275
Balances with other banks	26,670	1,466,287

Charging expenses

The direct expenses are charged to the pool, while indirect expenses including the establishment cost is borne by ZTBL - IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, cost of sale of inventories, insurance / takaful expenses of pool assets, taxes, stamp fee or documentation charges, brokerage fee for purchase of securities / commodities, impairment / losses due to physical damages to specific assets in pools, write-offs of financings and loss on sale of investments, etc.

	2022	2021
	Rupees in '000	
Provisions	-	-

Mudarib share (in amount and percentage of distributable income)

		2022	2021
		Rupees in '000	
	%		
Rabbul Mal	86%	153,599	149,844
Mudarib	14%	25,054	21,974
		178,653	171,818

Amount & percentage of mudarib share transferred to depositors through Hiba

	2022	2021
Mudarib share	25,054	21,974
Hiba	9,641	7,109
Hiba percentage of mudarib share	38.48%	32.35%

This is not a special Hiba and it has been distributed across the board to all the investment account holders.

Profit rate earned vs profit rate distributed to the depositors during the year

	2022	2021
Profit rate earned	10.33% p.a.	9.18% p.a.
Profit rates distributed to depositors	7.50% p.a.	8.87% p.a.

ANNEXURES



SELECTED FINANCIAL AND STATISTICAL INDICATORS

(RUPEES MILLION)

SR. NO.	DESCRIPTION	2018	2019	2020	2021	2022
	<u>DURING THE YEAR</u>					
1	AGRICULTURAL CREDIT DISBURSED	76,262	82,649	62,070	69,162	69,631
2	LOANS TO SUBSISTENCE FARMERS	57,979	63,565	50,950	58,806	60,067
3	2 AS %AGE OF 1	76%	77%	82%	85%	86%
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	72,246	78,746	60,019	66,979	67,689
5	4 AS %AGE OF 1	95%	95%	97%	97%	97%
6	FINANCING OF TRACTORS					
	- NUMBER	3,616	1,747	1,084	1,356	698
	- AMOUNT	2,803	1,429	938	1,258	740
7	6 AS %AGE OF 1	4%	2%	2%	2%	1%
8	AGRI. CREDIT RECOVERY	91,823	99,687	79,216	83,677	79,750
9	TOTAL INCOME	12290	10,420	9,638	13,547	15,958
10	PROFIT BEFORE TAXATION	(3364)	(26349)	(3225)	1783	7,458
	<u>AT THE END OF THE YEAR</u>					
1	TOTAL ASSETS	202476	199,899	210,686	254,848	491,092
2	AGRI. LOAN PORTFOLIO	160151	156,847	145,635	127,864	121,871
3	NUMBER OF ZONAL OFFICES	32	32	31	31	31
4	NUMBER OF BRANCHES	502	502	501	501	501
5	NUMBER OF MCO's	1,357	1,257	1258	1138	1166
6	NUMBER OF REGULAR EMPLOYEES	5601	5,251	5088	4541	4163

LOANS DISBURSED SINCE INCEPTION: AREA-WISE
UPTO 31.12.2022

(RUPEES MILLION)

SR. NO	PROVINCE/ AREA	NO.OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	10,404,629	1,300,720	79.9
2	SINDH	1,838,272	219,388	13.5
3	KHYBER PAKHTUN KHWA	794,518	80,804	5.0
4	BALUCHISTAN	119,575	12,042	0.7
5	AZAD KASHMIR	158,554	6,456	0.4
6	GILGIT/BALTISTAN	70,891	7,698	0.5
	TOTAL	13,386,439	1,627,107.363	100.0

**LOANS DISBURSED : AREA-WISE
DURING 01-01-2022 TO 31-12-2022**

(RUPEES MILLION)

SR. No.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	188,014	59,684.40	85.71
2	SINDH	13,427	5,554.11	7.98
3	KHYBER PAKHTUN KHWA	8,599	3,027.01	4.35
4	BALUCHISTAN	621	281.34	0.40
5	AZAD KASHMIR	567	195.57	0.28
6	GILGIT/BALTISTAN	1,910	888.84	1.28
TOTAL		213,138	69,631.28	100

**TERM-WISE COMPOSITION OF LOANS DISBURSED
DURING 01-01-2022 TO 31-12-2022**

(RUPEES MILLION)

SR. NO.	PROVINCE / AREA	SHORT TERM		MEDIUM TERM		LONG TERM		TOTAL	
		NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT
1	PUNJAB	103,586	31,595.86	75,347	25,253.56	9081	2834.979	188,014	59,684.40
2	SINDH	7,799	3,162.15	5,600	2,388.20	28	3.761	13,427	5,554.11
3	KHYBER PAKHTUN KHWA	4,339	1,573.20	3,951	1,335.97	309	117.850	8,599	3,027.01
4	BALUCHISTAN	478	210.06	92	32.28	51	38.993	621	281.34
5	AZAD KASHMIR	213	62.12	281	108.99	73	24.470	567	195.57
6	GILGIT/BALTISTAN	24	9.32	1,882	876.62	4	2.907	1,910	888.84
	TOTAL	116,439	36,612.70	87,153	29,995.62	9546	3022.959	213,138	69,631.28

**LOANS DISBURSED: SECURITY - WISE
DURING 01.01.2022 TO 31.12.2022**

(RUPEES MILLION)

SR. NO.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	199491	68827.72636	98.8
2	HYPOTHECATION LOANS	9	3.28	0.0
3	PERSONAL SURETY LOANS	26	1.022	0.0
4	OTHER SECURITY	2095	799.248518	1.1
TOTAL		201,621	69,631.277	100.0

**ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED
SINCE INCEPTION UPTO 31-12-2022**

Rs. In Millions

YEAR	ANNUAL CREDIT DISBURSED	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since Inception upto 31-12-2010	699,312.171	542,690	106,569.653	149,710	15,748.927
2011	65,451.788	908	431.248	1,745	476.253
2012	64,132.759	7,296	3,594.398	2,051	524.817
2013	71,106.707	9,212	5,976.749	1,522	575.109
2014	81,933.747	10,554	7,489.295	1,569	608.154
2015	95,419.965	9,154	7,053.922	260	82.378
2016	92,847.397	4,654	3,004.209	365	69.528
2017	97,128.722	4,765	3,064.079	465	71.199
2018	76,262.233	3,616	2,802.867	618	91.895
2019	82,649.136	1,747	1,429.004	622	82.393
2020	62,069.647	1,084	937.555	171	25.329
2021	69,161.814	1,356	1,258.305	69	11.184
2022	69,631.277	698	739.825	35	8.628
TOTAL	1,627,107.363	1,140,424	250,920.762	308,912	34,124.721

**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES
DURING 01-01-2022 TO 31-12-2022**

(RUPEES MILLION)

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
I. DEVELOPMENT LOANS	96,699	33,018.577	47
1 TRACTORS	698	739.824	1
2 DAIRY FARMING	60,507	22,162.640	32
3 FARM EQUIPMENT	150	7.073	0
4 TUBEWELLS	35	8.628	0
5 LIVESTOCK	11,718	2,555.936	4
6 POULTRY FARMING	380	115.883	0
7 ORCHARDS	434	200.130	0
8 LAND DEVELOPMENT	237	57.836	0
9 GODOWN/ COLD STORAGE	4,159	1,319.389	2
10 OTHERS	18,381	5,851.239	8
II. PRODUCTION LOANS	116,439	36,612.700	53
Total Agri. Credit Disbursement	213,138	69,631.277	100.0

AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN
DURING 01-01-2022 TO 31-12-2022

Rs. In Millions

SIZE OF LOAN	*NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	198	0.1	3.883	0.01
RS.25001 TO 50000/-	2138	1.3	92.813	0.1
RS.50001 TO 100000/-	11173	6.7	937.418	1.3
RS.100001 TO 200000/-	31673	19.1	4,924.648	7.1
RS.200001 TO 500000/-	69076	41.7	22,853.859	32.8
RS.500001 TO 1000000/-	44881	27.1	30,777.416	44.2
OVER 1000000/-	6434	3.9	10,041.239	14.4
TOTAL:-	165573	100.0	69,631.276	100.0
*Loan Case Wise				

AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING

DURING 01-01-2022 TO 31-12-2022

(RUPEES MILLION)

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	102	0.1	24.285	0.0
B. OWNERS	181467	90.0	59,007.864	84.7
UNDER 5.1 HECTARES (UNDER 12.50 ACRES)				
5.1 TO UNDER 6.5 HECTARES (12.51 TO UNDER 16.00 ACRES)	8717	4.3	4,324.667	6.2
6.5 TO UNDER 10.1 HECTARES (16.01 TO UNDER 25.00 ACRES)	8032	4.0	4,332.124	6.2
10.1 TO UNDER 13 HECTARES (25.01 TO UNDER 32.00 ACRES)	1524	0.8	911.388	1.3
13 TO UNDER 20.2 HECTARES (32.01 TO UNDER 50.00 ACRES)	1245	0.6	717.477	1.0
20.2 TO UNDER 26 HECTARES (50.01. TO UNDER 64.00 ACRES)	255	0.1	150.955	0.2
26 HECTARES & ABOVE (64.01 ACRES & ABOVE)	279	0.1	162.516	0.2
TOTAL:-	201621	100	69,631.277	100.0

RECOVERY POSITION
DURING 01-01-2022 TO 31-12-2022

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	RECOVERY
1	PUNJAB	69,069.730
2	SINDH	6,126.691
3	KHYBER PAKHTUN KHWA	3,406.293
4	BALUCHISTAN	229.523
5	AZAD KASHMIR	313.180
6	GILGIT/BALTISTAN	605.072
TOTAL		79,750.489

**STAFF POSITION
(REGULAR EMPLOYEES)
AS ON 31.12.2022**

(NUMBERS)

YEAR	OFFICERS*	M.C.O.'s	STAFF	TOTAL
CY 2011	4145	1277	1644	5,789
CY 2012	4095	1313	1629	5,724
CY 2013	4218	1308	1381	5,599
CY 2014	4581	1271	1196	5,777
CY 2015	4550	1333	1149	5,699
CY 2016	4589	1328	1106	5,695
CY 2017	4871	1373	929	5,800
CY 2018	4787	1357	814	5,601
CY 2019	4473	1257	778	5,251
CY 2020	4371	1258	717	5,088
CY 2021	3907	1138	632	4,539
CY 2022	3564	1166	599	4,163

*Including MCOs

NETWORK OF FIELD OFFICES AS ON 31.12.2022

(NUMBERS)

SR. NO.	PROVINCES	ZONAL	BRANCHES
1	PUNJAB	17	283
2	SINDH	6	93
3	KHYBER PAKHTUN KHWA	4	68
4	BALUCHISTAN	2	11
5	AZAD KASHMIR	1	34
6	GILGIT/BALTISTAN	1	12
7	FATA		
	TOTAL	31	501

