

DIRECTORS' REPORT

Performance Review for the Year 2023:

I am delighted to present the Annual Director's Report of Zarai Taraqati Bank Limited, delineating our financial performance and showcasing key achievements during the year 2023. ZTBL has evolved into a trusted and esteemed institution in the community. With a dedicated and professional team, we remained steadfast in our commitment to provide high-quality banking services and products that cater the diverse needs of our customers.

The past year has proven to be yet another success for ZTBL, marked by robust financial performance and advancements in various key initiatives. I would like to grasp this opportunity to highlight some of the major accomplishments and provide an overview of the key initiatives and activities that have played a vital role in our success during the financial year 2023. ZTBL has achieved a significant profit before tax, amounting to Rs. 17,606 million, and an after-tax profit of Rs. 10,984 million, despite challenging conditions. This performance indicates a promising outlook for the future. Several factors contributed to this success, with one notable aspect being the implementation of a multi-channel strategy for debt recovery, proving highly effective in the current financial year.

In the financial year 2023, ZTBL successfully recovered Rs. 37,368 million against Non-performing loans, resulting in an impressive recovery during current year. Concurrently, the Bank disbursed Rs. 90,978 million during the same financial year. A noteworthy achievement is the SAM (Charged-off) recovery, which surged to Rs. 9,983 million in the financial year 2023, marking a substantial 34% increase from the previous year's Rs. 7,469 million. Despite the ongoing political and economic uncertainties, we remain dedicated to delivering services to our esteemed customers, and the Bank has exhibited resilience in tackling these challenges.

The Bank's deposits base increased by 21% to Rs. 57,169 million in 2023 from the previous year of Rs. 47,333 million. As part of a continuing effort to increase the size of its customer base, the Bank additionally launched CASA product, commonly known as "Bakhat Accounts," with CASA deposits totaling Rs. 22,901 million. Throughout the year, the treasury efficiently performed its core responsibility of managing liquidity, significantly increasing the Bank's profitability. By mostly investing in short-term and floating-rate securities, treasury maintained low investment portfolio duration in line with the investment strategy, minimizing the portfolio's sensitivity to change in interest rate during high interest rates and inflation. In light of this, treasury maintained short portfolio duration until unambiguous signs of decreased inflation and an interest rate reversal appear.

The organization has successfully implemented the PPRA e-Pak Acquisition & Disposal System (EPADS), ensuring that all procurements are now initiated through this system. Moreover, in compliance with the Board and ITSC targets for new project procurements, eight projects, mainly include the acquisition of core Banking, IT equipment, ATMs, document management software, and testing devices, have been successfully initiated. The commissioning of IP-based CCTV cameras for branches, with centralized monitoring, is underway, with approximately 250 branches live to the Head Office while rest of the branches are under process. The establishment of a managed network infrastructure at branch formations, including the delivery of routers and switches, is in progress. SLA renewals for various services have been arranged, ensuring continuity and service quality. The acquisition and implementation of the Core Banking System (CBS) are in progress, with milestones such as updating Business Delta in CBS-RFP, pre-tender meetings, and bid evaluations. Looking ahead to 2024, the organization plans to initiate the implementation of the Core Banking System, procurement of Security Information and Event Management (SIEM) Solution with Allied Cyber Security Operation Center (SOC) Services, and implement various technology solutions, including Document Management Software will be completed.

The IT Division embarked on numerous crucial initiatives, including the deployment and configuration of new server roles for field force tablet application, RAAST solution, and mobile & internet Banking. Network integration with the State Bank of Pakistan was achieved alongside major patch releases for Islamic Banking ATM services.

The launch of an offsite ZTBL ATM at zero point in Islamabad was strategically aimed at accommodating the heavy traffic load to cater an increased customer base. Additionally, under the initiative, low-performing ATMs were relocated to new locations with a higher potential for performance, as suggested by the business. In a bid to diversify its services, ZTBL introduced the Islamic ATM/Debit Card in 2023. Moreover, to enhance accessibility for visually impaired individuals, a special ATM facility called the 'ATM Talking Solution' was installed in eight ATM branches during 4th Quarter of 2023. Furthermore, ZTBL demonstrated its commitment by deploying the Connect-Hear Virtual Interpretation Application in ten branches, specifically tailored to cater to the needs of persons with Disabilities (PWDs). These endeavors reflect ZTBL's proactive approach towards enhancing customer experience and fostering inclusivity within its operations.

The Bank has introduced a comprehensive set of financing schemes to stimulate agricultural growth and economic development in various regions of Pakistan. Initiatives like the Kissan Rozgar Scheme and Digital Kissan Karobar Scheme aim to empower farmers in Gilgit-Baltistan by encouraging the establishment of fresh/dry fruit shops and promoting online marketing. Additionally, the Bank addresses water scarcity concerns through financing for the establishment of high-efficiency irrigation systems, emphasizing the use of solar energy. Other schemes target specific agricultural needs, such as fruit and vegetable drying, potato grading, and spice grinding. The Bank also continues its commitment to national schemes like the Prime Minister's Youth Business & Agriculture Loan Scheme as well as embracing digitalized loan processing for efficient disbursement. These schemes collectively reflect a holistic approach to addressing diverse agricultural challenges and fostering sustainable growth. Moreover, ZTBL received 1106 Hajj applications, collecting a total of 1,214.880 million, with 1016 applicants declared successful for Hajj-2024.

In the year 2023, the Training and Development Department (T&DD) successfully conducted training for 4354 employees against the target of 3525, covering various areas such as operations, credit, recovery, audit, Islamic Banking, compliance, risk management, IT-based Banking operations, customer services, AML/CFT, TF risk assessment, gender sensitivity, ethics, and more. The department also organized internship programs for 587 students across different divisions and departments. Additionally, T&DD facilitated the learning of the Holy Quran for employees' children through ZTBL Quran Academy. The National Financial Literacy Program (NFLP) was effectively executed, surpassing the target by conducting 274 sessions with 9475 participants. ZTBL received recognition from SBP with the Best Management Support award for the year 2022-23. Looking ahead, the department plans to adopt e-learning methodologies and a hybrid approach, incorporating both face-to-face and online training for capacity building in 2024. The operational plan includes training 3325 employees, arranging 310 classroom sessions for NFLP, and offering internships to Persons with Disabilities (PWDs). The Department also aims to address building infrastructure issues through upgrades, refurbishment, and maintenance.

Economy Review:

The Monetary Policy Committee (MPC) decided to maintain the policy rate at 22 percent, citing challenges posed by frequent and significant adjustments in administered energy prices, which have slowed the expected decline in inflation. Non-energy inflation, however, continues to moderate as anticipated. Key economic developments include improved foreign exchange reserves, fiscal consolidation, and positive business sentiments, although escalated geopolitical tensions pose risks. Despite a moderate economic recovery primarily led by the agriculture sector, the committee emphasizes the need for a tight monetary policy stance, continued fiscal consolidation, and timely realization of external inflows to achieve the inflation target of 5-7 percent by September 2025. The fiscal position has improved, with a decline in the overall deficit and an increase in the primary surplus, driven by higher revenue collection and restrained expenditures. The MPC expects average inflation to fall in the range of 23-25 percent in FY24 and anticipates a noticeable downward trend in FY25.

Agriculture sector review:

To achieve the output target of 32.3 million tons for the Rabi season 2023-24, wheat has been cultivated on approximately 8.733 million hectares, slightly below the target of 8.998 million hectares. Despite ongoing cultivation in other provinces, Punjab has surpassed its sowing target, reaching 6.592 million hectares, a 2% increase over the set target of 6.475 million hectares. The use of agricultural inputs has seen a notable rise, with a 98.2% increase in farm tractor sales and a 60.7% increase in output (20,937) from July to November of FY2024 compared to the same period the previous year. DAP off take was 42.0% higher than Rabi 2022-23 at 437 thousand tones, while urea off take for Rabi 2023-24 (Oct-Nov) stood at 1,070 thousand tones, representing a 5.6% increase over Rabi 2022-23. With farmers using certified seeds and DAP fertilizer outpacing urea, there is optimism about meeting production goals. The crucial month of December is emphasized for the early growth of Rabi crops in 2023-2024, and farmers are advised to take preventive measures against the anticipated cold weather to protect their crops, vegetables, and orchards. Additionally, farmers in northern regions and northern Balochistan are encouraged to ensure timely completion of Rabi crop sowing and implement proper irrigation practices for healthier crop growth in the initial stages.

Agriculture Credit Disbursement:

Despite facing various challenges, including floods, agriculture credit disbursements reached a noteworthy level of Rs1,776 billion in FY23, demonstrating a year-on-year growth of 25.2% and achieving 97.6% of the overall target of Rs1,819 billion. The collaborative efforts of the Banks including microfinance institutions played a crucial role in these accomplishments, highlighting the resilience and adaptability of the sector in the face of adversities. The disbursement target for FY24 has been set at Rs2,250 billion, representing a 26.7% increase over the previous year's disbursement. In the first four months of FY2024 (Jul-Oct), agriculture credit disbursement recorded Rs681.6 billion, compared to Rs507.8 billion in the same period last year, reflecting a robust growth of 34%. This positive trend instills optimism that the disbursement target for the fiscal year will be comfortably achieved. Furthermore, under the Prime Minister's Youth Business & Agriculture Loan Scheme, the government disbursed Rs49,887 million to 83,826 beneficiaries until October 2023, as reported by the monthly Economic

Update & Outlook in December 2023 from the Ministry of Finance and the Governor's Annual Report 2022-23 on the State of the Economy by the State Bank of Pakistan.

Banking sector review:

Banking Sector Performance was released by SBP along with the assessment looks at the health and efficiency of Pakistan's banking industry from January to June 2023 (H1CY23). Over the first half of CY23, the macroeconomic climate remained difficult. Due to high inflation and ongoing uncertainty, the operational environment continued to be stressed as domestic financial conditions worsened. However, during H1CY23, the banking sector's balance sheet grew by 14.0%. The primary factor boosting the asset base expansion was investments in government securities.

Throughout the time, banks continued to exhibit a notable reliance on borrowing in addition to a robust inflow of deposits. During H1CY23, the banking sector's advances had a muted growth; private sector advances decreased, and the public sector received additional funding, mostly for commodity finance operations. Positive signs for asset quality were shown in the net non-performing loans (NPLs) to loans ratio, which decreased to 0.45 percent at the end of June 23 from 0.68 percent in June 22 as banks increased their provisioning from stable earnings. Return on assets (ROA) increased to 1.5 percent in H1CY23 (compared to 1.0 percent in CY22), indicating a noticeable improvement in profitability metrics.

ZTBL Islamic Banking performance:

During the year 2023, the Islamic Banking Division of ZTBL experienced both challenges and successes, marked by significant branch expansion from 5 to 25, with a strategic focus on agriculture areas. The impact of inflation and the money market influenced financing activities, leading to an emphasis on money market transactions. Overcoming obstacles such as limited agricultural financing in residential areas, lack of ATM facilities, and online connectivity issues, the division achieved its aggregate deposit target. Key accomplishments included the completion and rehiring of the Shariah Board, network expansion, and the development of Shariah-compliant financing products for agriculture. Notably, the deposit figure reached Rs 5.106 billion, and Islamic Banking Branches actively participated in the Hajj Scheme. Products like Zarai Islamic Farm Mechanization, Islamic Tractor/Farm Transport Musharakah Finance, and Zarai Islamic Livestock Financing were introduced and acknowledged by the State Bank of Pakistan. The year witnessed comprehensive staff training, system developments enabling ATM facilities, and improved connectivity between Islamic and conventional Banking within ZTBL.

Six Years at a Glance:

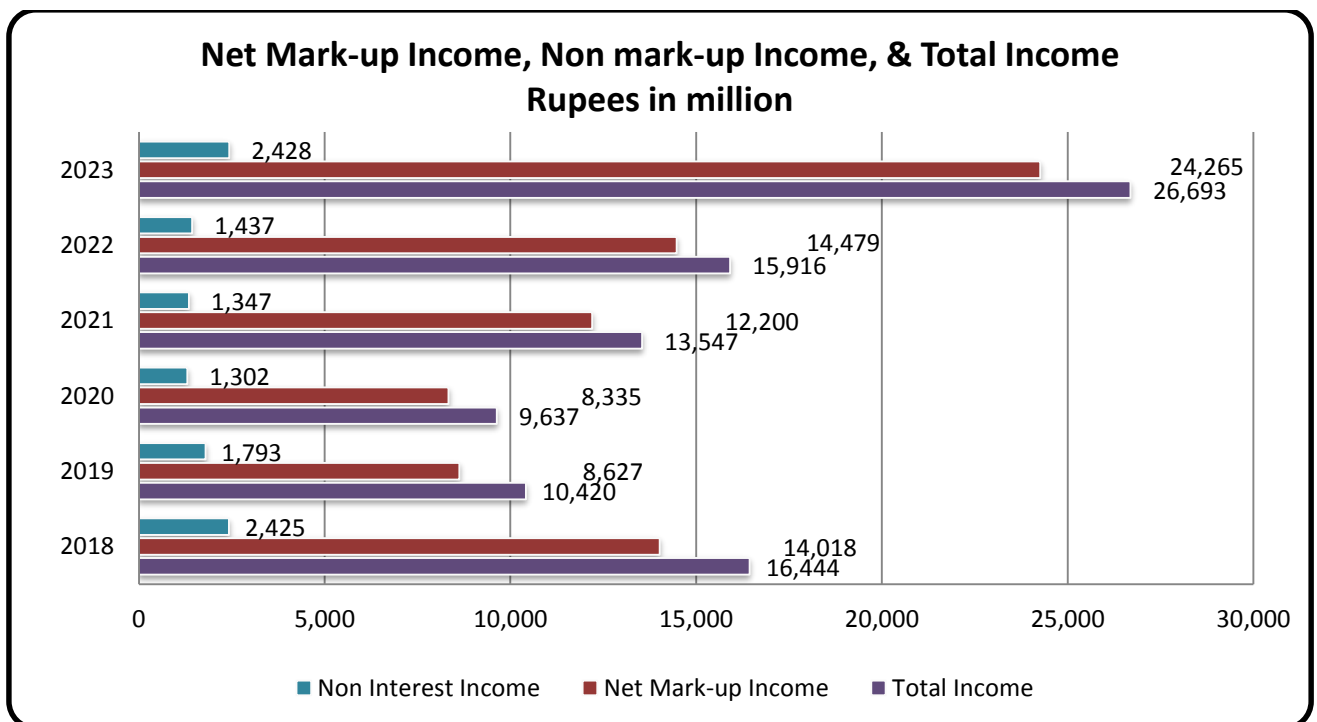
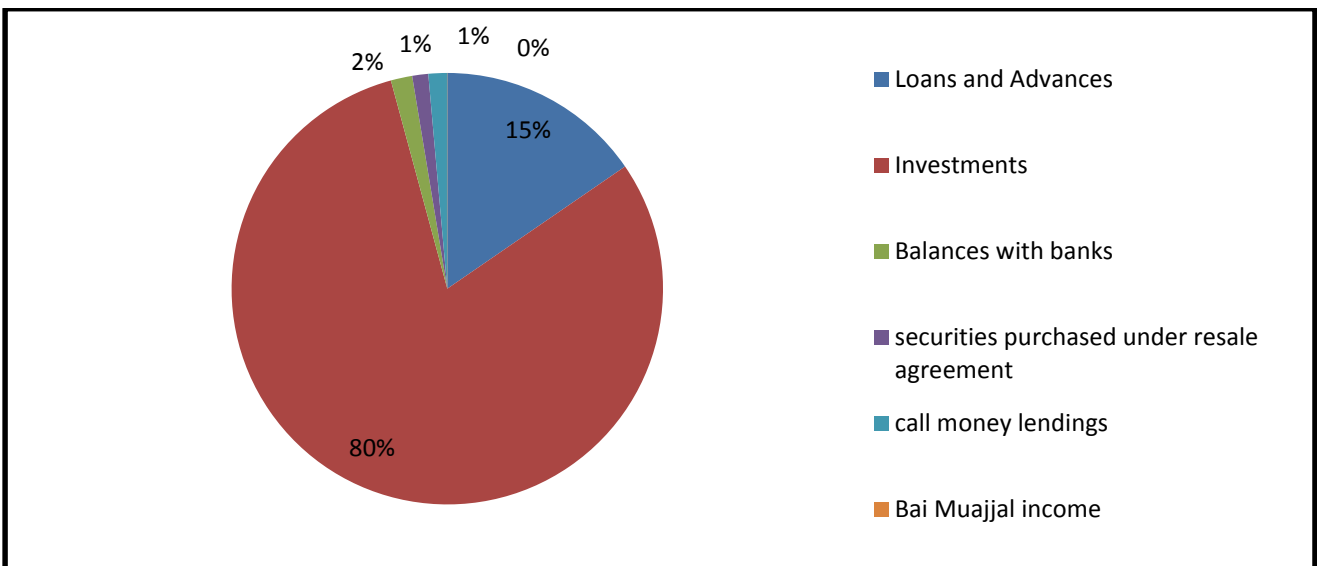
Particulars	(Rupees in millions)					
	2018	2019	2020	2021	2022	2023
Total Assets	202,476	199,899	210,686	254,841	491,092	562,376
Advances – net	135,653	109,688	102,656	91,822	90,452	105,508
Cash and Bank Balance	10,695	32,557	22,107	31,842	15,196	35,587
Operating Fixed Assets	2,356	2,752	2,813	2,514	2,474	2,651
Share Capital	52,678	52,678	52,678	52,678	52,678	52,678
Deposits	40,406	46,002	49,186	43,599	47,333	57,169
Profit/ (Loss) before Taxation	(3,364)	(26,349)	(3,225)	1,783	7,458	17,606
Taxation	(2,696)	(8,755)	(757)	3,518	2,335	6,622
Profit/ (Loss) after Taxation	(667)	(17,594)	(2,467)	(1,735)	5,123	10,984
Un-appropriated Profit / (Loss) brought forward	13,953	12,661	(3,437)	(3,969)	(6,037)	(1,204)
Profit / (Loss) available for Appropriation	13,286	(4,933)	(5,904)	(5,704)	(914)	9780
Other comprehensive Income / (Loss)	(624)	1,496	1,935	(333)	735	2760
Transferred to Statutory Reserve (20% of after tax profit)	-	-	-	-	(1,025)	(2,197)
Un-appropriated Profit / (Loss) Carried forward	12,661	(3,437)	(3,969)	(6,037)	(1,204)	10,343
Earnings / (Loss) Per Share	(0.13)	(3.34)	(0.47)	(0.33)	0.97	2.09

ZTBL’s Financial Health:

- Profit before tax recorded at Rs. 17,606 million (2022: Profit of PKR 7,458 million).
- After tax profit reached to Rs. 10,984 million (2022: Profit of Rs. 5,123 million).
- Operating expenses increased by 20% to Rs 14,552 million (2022: Rs. 12,153 million).
- Basic earnings per share are reported at Rs. 2.09 as compared to EPS (2022: Rs. 0.97).
- Liabilities in terms of deposits increased to Rs. 57,169 million (2022: Rs. 47,333 million).
- Gross advances have increased by 11% to Rs. 119, 982 million (2022: PKR 107,623).
- NPLs have increased by 3% to Rs. 34,539 million (2022: Rs. 33,682 million).
- Investments (net) increased to Rs. 372,212 million (2022: Rs. 306,849 million).
- Total assets increased to Rs. 562,376 million (2022: Rs. 491,092 million).

▪ **Mark-up / Interest Income:**

Loans totaling Rs. 90,978 million were disbursed in 2023. The markup earned against advances was Rs. 21,939 million, whereas in 2022 it was Rs. 15,828 million. 15% of the overall income from markup interest is made up of markup income against loans and advances.

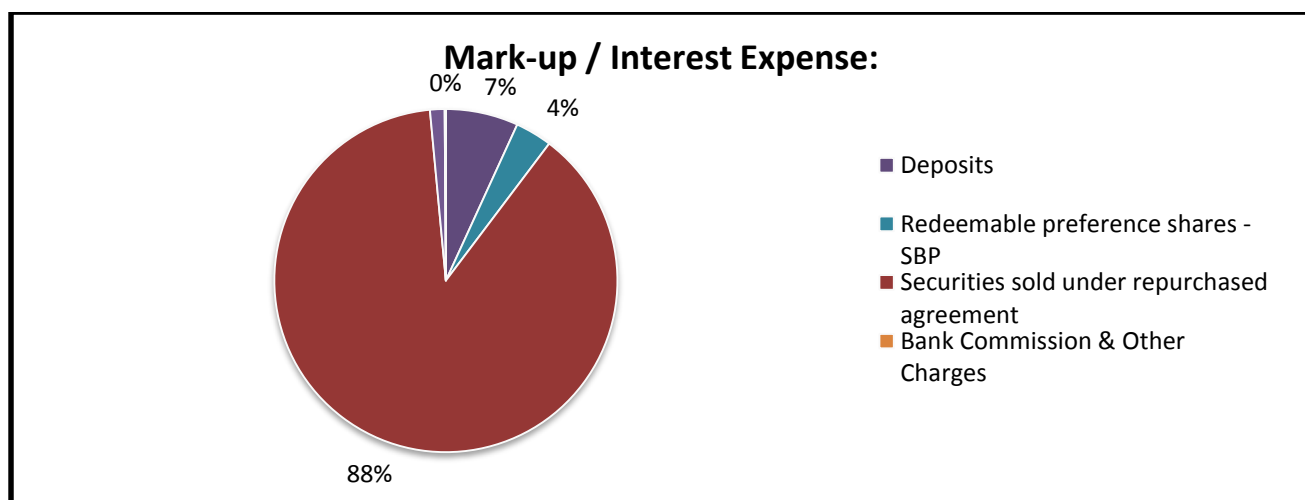


- **Markup income on investment:**

ZTBL diversified its Rs. 414,360 million investment portfolio in 2023 by adding Bank accounts, government securities, shares of listed companies, and other sources of markup income such as purchases of securities under resale agreements, investments in government securities, islamic modes of investments/placements, call money lending, and balances with other Banks. This resulted in a markup earned of Rs. 120,377 million (2023), as compared to corresponding period of previous year 2022 of Rs. 23,608 million.

- **Mark-up / Interest Expense:**

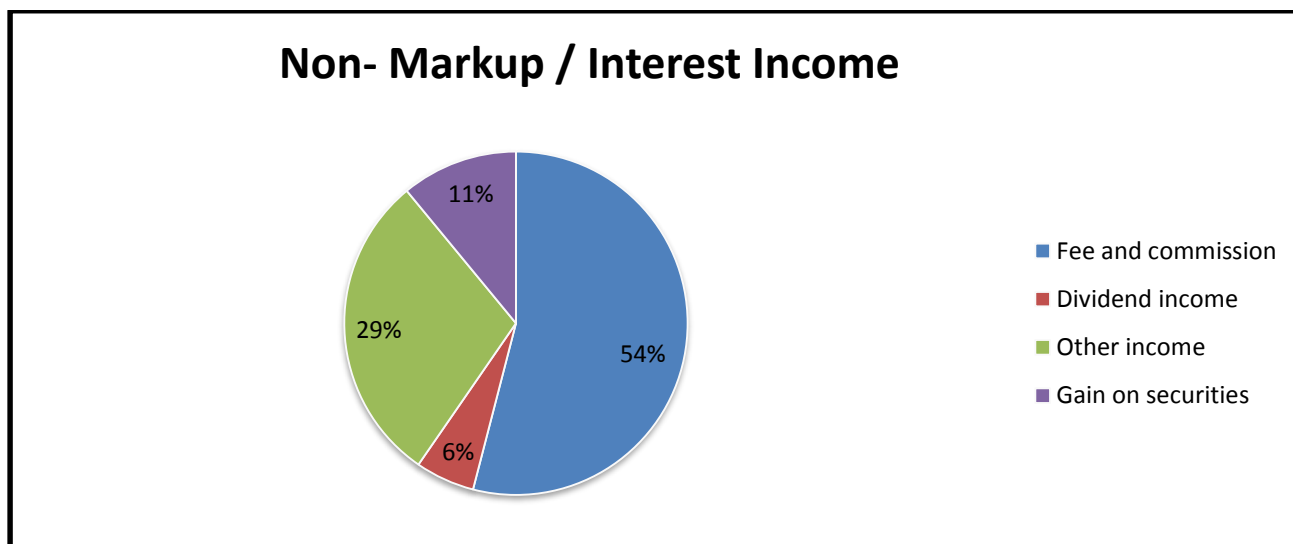
For the repo borrowing, the total markup/interest charge was Rs. 104,147 million, moreover the cost of financing preference shares, which came to Rs. 4,085 million (at 7.5% on SBP Redeemable Preference shares), the cost of deposits Rs. 8,063 million, and other expenditures, which also include Rs. 134 million that include the lease assets for usage, and bank commission fees.



- **Non Mark-up / Interest Income:**

Non-markup interest income is made of fee and commission, dividend income, gain on securities and other income and these sources will account for 54%, 6%, 11%, and 29% of total non-markup income, respectively.

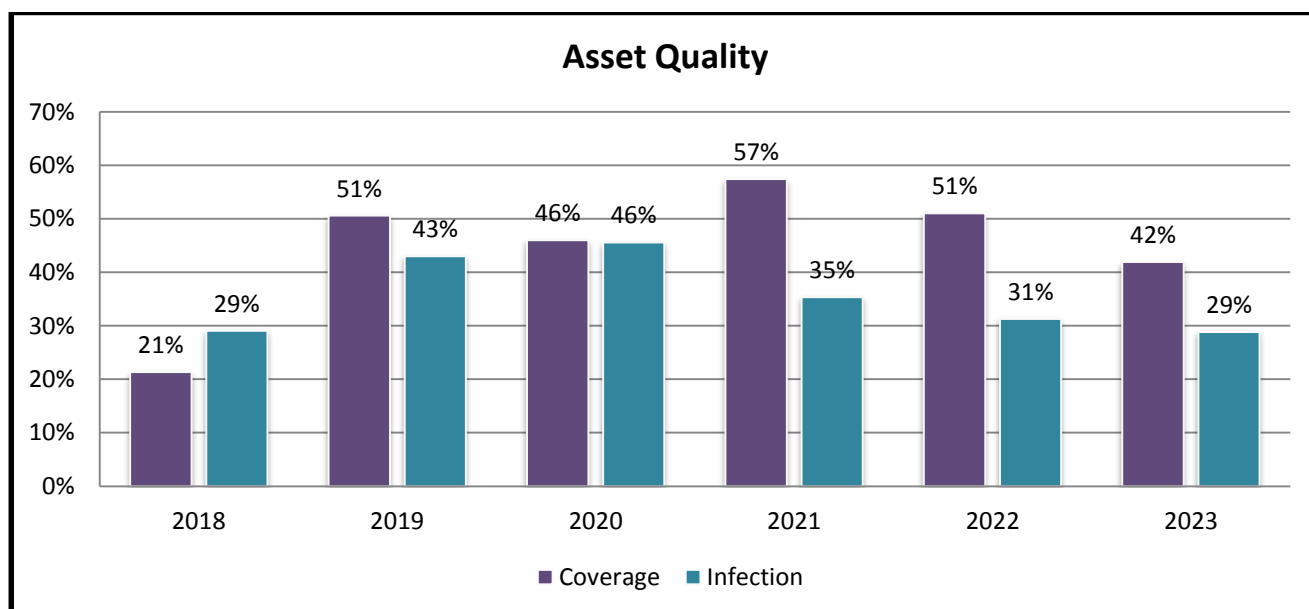
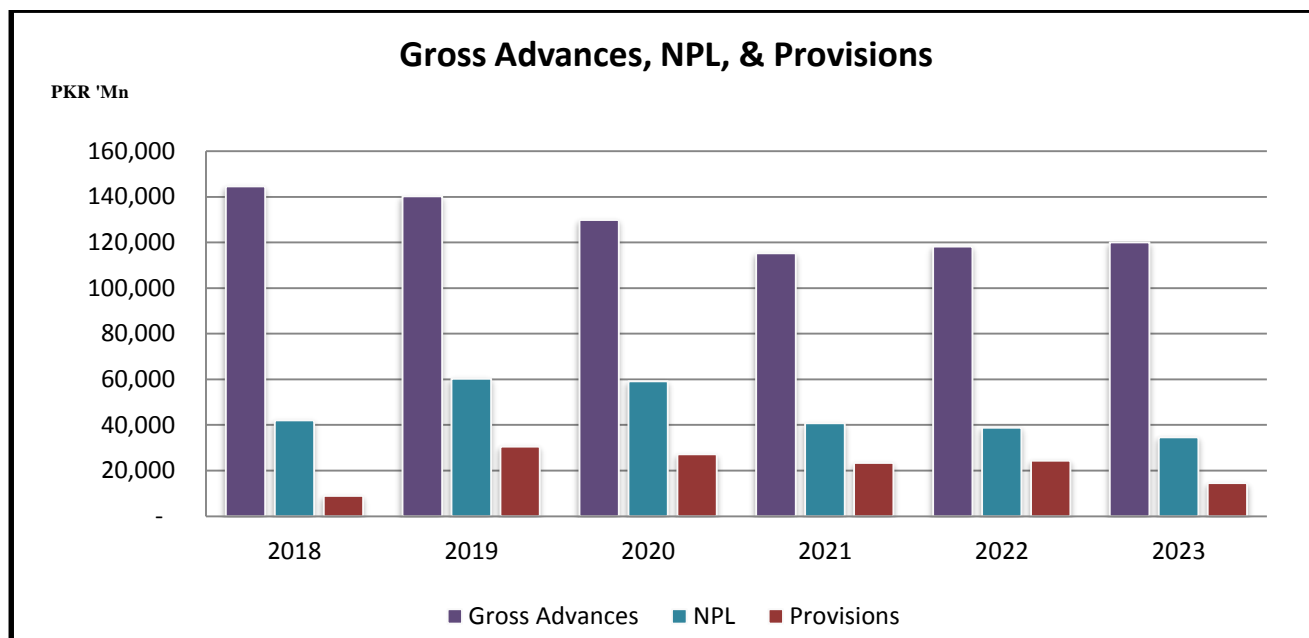
In 2023, the total non-markup income was recorded at Rs. 2,428 million as compared to Rs. 1,421 million in corresponding year 2022.



- **Provisions and NPL:**

ZTBL made specific provisions of Rs. 11,474 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. 14,475 million including staff advances as compared to the cumulative provision of Rs. 17,171 million in 2022. Non- performing loans experienced a raise of 857 million i.e. from Rs. 33,682 million to Rs. 34,539 million in 2023.

The asset quality indicators showed improvement during the year 2023 as the gross infection ratio decreased to 29% (2022: 31%); total provision coverage is 42% during current financial year (2022: 51%) and specific provision coverage 33% (2022: 42%).



- **Operating expenses**

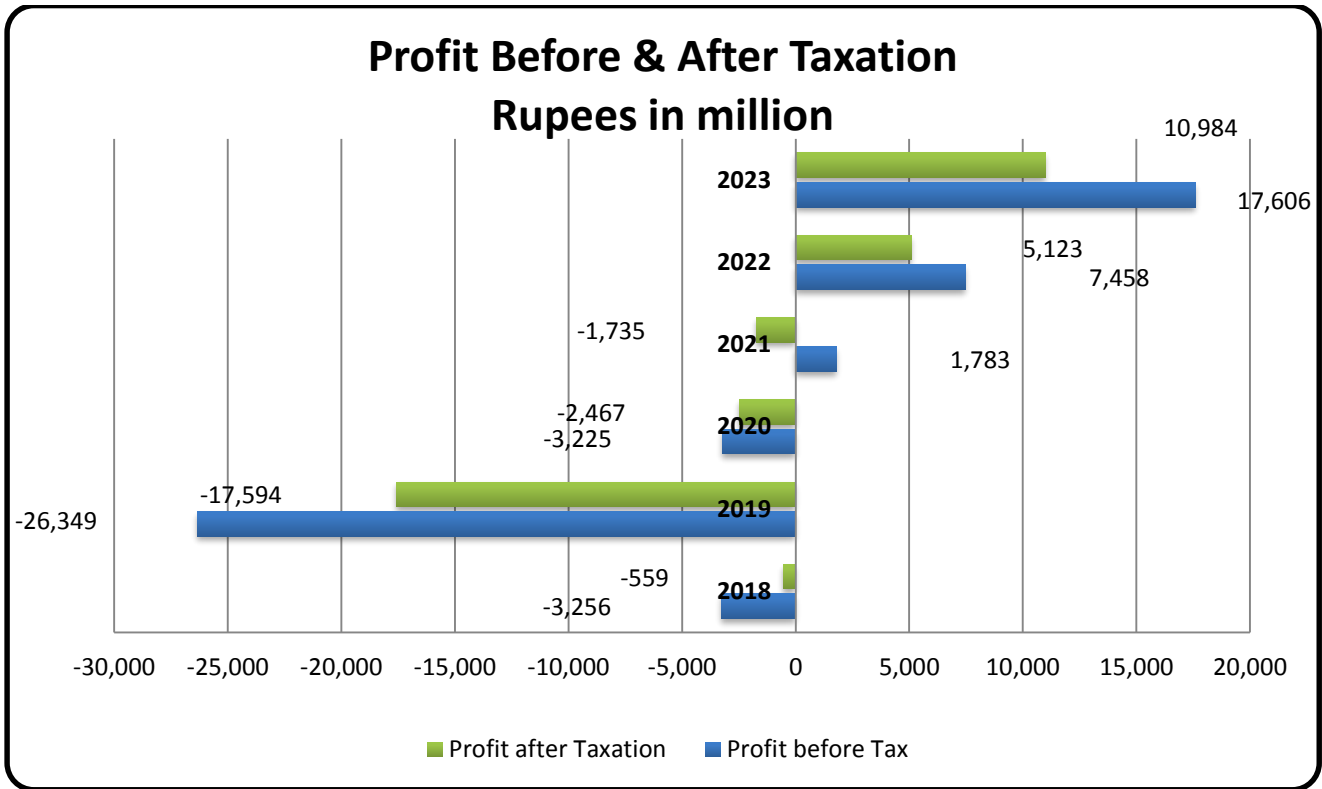
The operating expenses increased by 20% from Rs. 12,153 million (FY 2022) to Rs. 14,552 million (FY 2023) due to inflationary impact & adhoc allowances.

- **Taxes:**

In FY 2023, a tax amount of Rs. 6,622 million was recorded, with a profit before taxation of Rs. 17,606 million and a profit after taxation of Rs. 10,984 million.

- **Net profit/(Loss):**

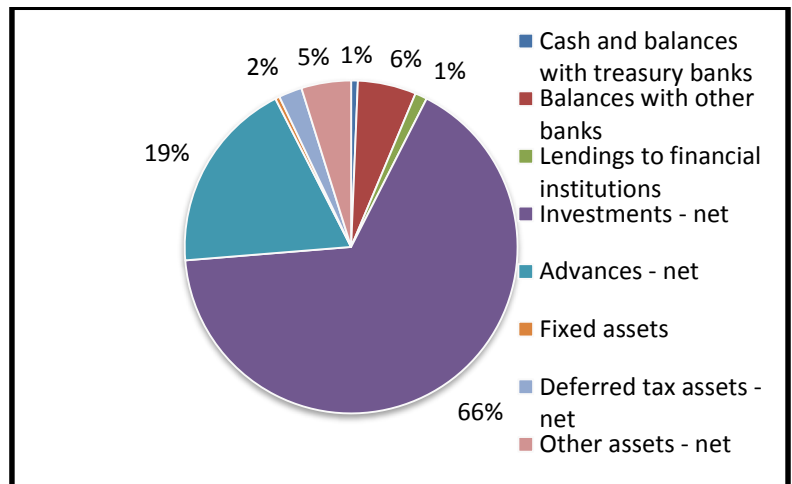
In the year under review, ZTBL reported a profit after taxation of Rs. 10,984 million as compared to corresponding period (2022: Net Profit Rs. 5,123 million).

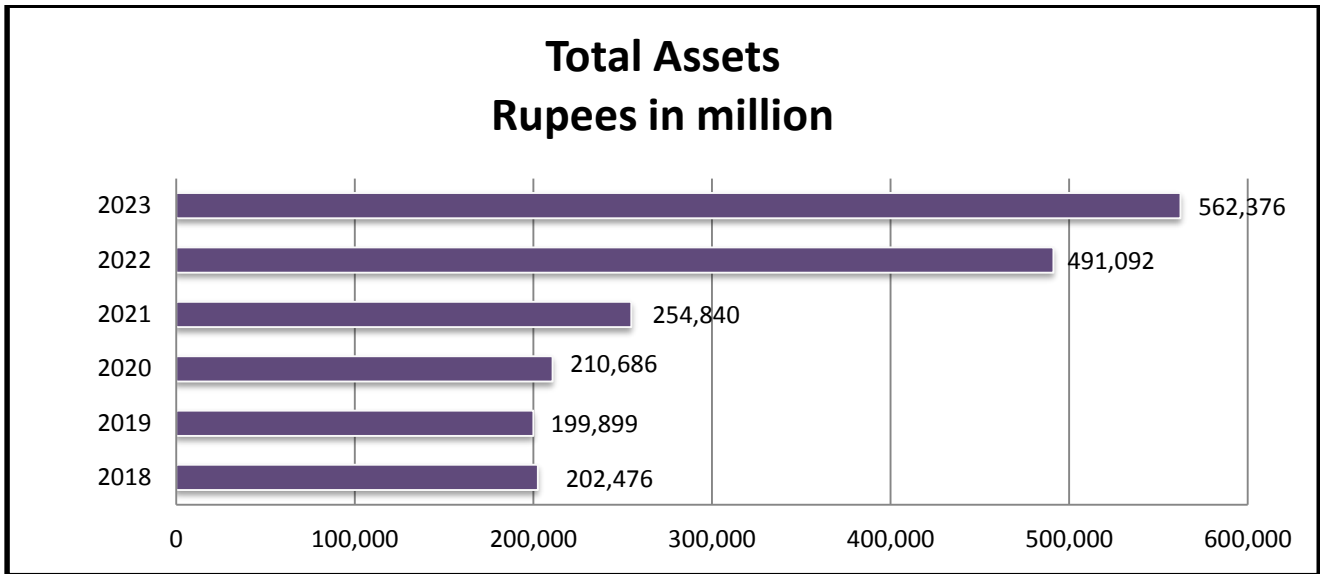


Financial Position Review 2023

- **Total assets:**

66% of ZTBL's investments are net, while 19% are advances. With the significant rise in investment (net), the Bank's asset base expanded by 15% to Rs. 562,376 million in 2023 (2022: Rs. 491,092 million). Net advances for the year 2023 were Rs. 105,508 million, increased by 17% from the previous year's total of Rs. 90,452 million.

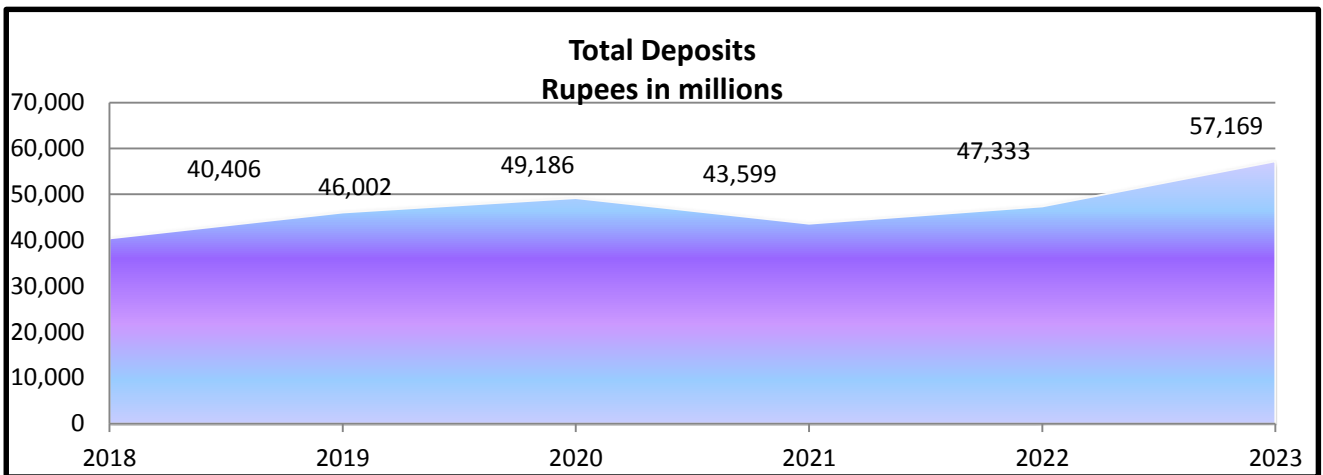




Total Deposits:

Total deposits of the Bank have increased by 21% to Rs. 57,169 million in 2023 (2022: Rs 47,333 million).

During the year under review, share of current and saving deposits constitutes of 11% and 29% while share of term deposits remained 60%.



Capital Strength & Adequacy:

ZTBL is eager to keep up its solid capital basis in order to comply with regulatory requirements and preserve the trust of its creditors, investors, and shareholders in the Bank's ability to build its business sustainably. The Basel framework and the SBP's set criteria and ratios are used to monitor the Bank's capital adequacy. The Bank's Tier-1 capital increased in FY 2023 from PKR 49,562 million to PKR 66,785 million, mostly as a result of an increase in un-appropriated profit. In FY 2023, total risk-weighted assets also rose by PKR 31,826 million. The Bank's total capital to RWA ratio in 2023 was 37.69% (compared to 33.69% in FY 2022), significantly higher than the minimal threshold of 11.50% set by the central Bank.

Strong CET-1 capital ratios were again observed in 2023, with 35.85% (FY 2022: 32.09%) compared to the necessary 6%. In 2023, the leverage ratio increased to 11.87% (from 10.09%) in the prior year.

ZTBL has sufficient capital (37.69% CAR) to cover the whole risk profile generated by its business and operational activities, according to the most recent Internal Capital Adequacy and Assessment Process (ICAAP). As of December 31, 2023, the audited CAR under the BASEL-III statement is 37.69%.

Corporate Social Responsibility:

ZTBL is essential to the well-being of society since it shapes the economy and directly affects the wellbeing of people, companies, communities, and agriculture. ZTBL has demonstrated its commitment to Corporate Social Responsibility (CSR)

through a number of initiatives; ZTBL contributed to Pakistan Hindu Council Karachi under CSR on celebrating annual mass marriages program of 100 deserving couples.

Credit rating (2022)

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 (KSSL), established as a subsidiary of Zarai Taraqati Bank Limited (ZTBL), operates under an Authorized Capital of Rs 100 million, fully subscribed and paid. The primary focus of KSSL is to provide consultancy, advisory, agency, and support services to ZTBL. The company's board, led by Mr. Tahir Yaqoob Bhatti, President ZTBL, oversees its activities. Throughout 2023, the board held regular meetings and formed sub-committees, including the Audit Committee, Human Resource Management Committee, Procurement Committee, and Nomination Committee. General Meetings were conducted. The company also undertook extensive staff training programs. Security services provided by KSSL to ZTBL, ensuring physical safety and protection against sabotage, were highlighted, including security arrangements, firing/training of guards, issuance/renewal of arms licenses, and mock exercises.

S.No.	Particulars	2022	2023
1.	Profit after taxation (Rs. in millions)	54.442	166.714
2.	Earnings per share (Rs.)	5.44	16.67

Risk Management Framework and Policy:

In the dynamic landscape of contemporary Banking, the perception of risk has undergone a significant transformation, evolving from a function confined to Risk Management into a comprehensive capability embedded throughout the entire institution. This paradigm shift is driven by Enterprise Risk Management (ERM), which not only addresses functional aspects of risk but also emphasizes its pivotal role in supporting and empowering the overall business. The Risk Management Framework and Policy play a crucial role in establishing an efficient process to oversee risk across all organizational levels, allowing the Bank to implement its risk strategy and engage in controlled risk-taking activities. This framework integrates essential policies, procedures, and process designs, with continuous oversight from the board and ongoing risk monitoring throughout the institution.

The Bank is committed to continuously assessing and enhancing its risk management framework, aligning its long-term strategy with industry best practices. Adherence to regulations, particularly those related to Basel and widely accepted risk management practices in the Banking sector, remains a constant focus for the Risk Management Framework. The Enterprise Risk Management (ERM) division, as the second line of defense, is obligated to address various risks such as credit, market, liquidity, operational, information security, and Shariah non-compliance.

The risk profile of the Bank encompasses major streams of risk, and the Risk Management Policy provides standards and acceptable thresholds to measure and manage risks through risk management, internal control, and compliance functions. The primary source of the Bank's credit risk is rooted in operational risk, particularly involving people and processes. The credit portfolio, as of December 31, 2023, indicates a 6 percent increase in SAM compared to the previous year. Robust recovery efforts are imperative to enhance the regular loan portfolio and reduce Non-Performing Loans (NPLs), which remain stable at 29 billion.

The Enterprise Risk Management Division (ERMD) comprises four departments, including Risk Management, Credit Administration, Central Loan Sanctioning, and IT Security. Throughout the year 2023, ERMD played a key role in various functions, such as introducing the ERM concept and developing the ERM Policy, active involvement in IFRS-9 implementation and Reporting of Expected Credit Loss Models (ECLM), and compliance with regulatory reporting requirements.

Additionally, ERMD conducted a successful risk assessment, monitoring, and reporting of the Bank's Market Risk portfolio, reviewed Islamic Banking products and credit policies, and introduced controls for Credit Administration processes. The division also made significant strides in enhancing cyber security risk management, including regular training sessions, issuance of advisories, and 24/7 monitoring of IT infrastructure against current threat landscapes.

Looking ahead, ZTBL's strategic approach to risk involves compliance, loss mitigation, and organizational considerations. The Bank aspires to meet stakeholders' expectations; particularly in serving the agriculture sector and other underserved

sectors in Pakistan, by taking and managing risks in a controlled and transparent manner. The future of risk management at the Bank requires a proactive and adaptive approach, integrating technology, environmental sustainability, and a deep understanding of the unique challenges faced by the agricultural sector that contribute to its long-term resilience and prosperity.

Statement of Internal Controls

At ZTBL, the internal control system functions as a monitoring tool and process asset intended to avert problems and accomplish organizational goals. The goals of the Bank have responsibility for developing and maintaining this system. The management of the Bank is in charge of designing and maintaining this system to guarantee its effectiveness and adherence to legal requirements. The Board of Directors has authorized the implementation of an internal control system to guarantee that operations run smoothly and rules are followed. Although it works well, it has limits and only offers a decent level of assurance as opposed to total certainty.

The purpose of policies, standard operating procedures (SOPs), circulars, and manuals is to provide a fair level of assurance about the dependability of financial data, the efficacy and efficiency of operations, and compliance with relevant laws and regulations. By doing risk assessments, identifying controls, reviewing pertinent policies and procedures, implementing appropriate control procedures, and keeping an eye on the system, management guarantees an efficient and effective internal control system.

Three lines of defined model comprise the ZTBL control structure. Recognizing and managing risks is the main topic of the first line, which covers front office and customer-facing functions. The second line creates policies and assesses procedures, including compliance and risk management tasks. Internal Audit, which is defined in the third line, assesses the total functionality on its own. Compliance operations make ensuring that the Bank's internal policies and processes, as well as any applicable laws, rules, and guidelines, are followed. The Enterprise Risk Management department is in charge of monitoring the risks connected to the Bank's numerous activities, identifying and assessing hazards, and reviewing the Bank's policies.

There are several management committees under the president's direction that oversee concerns of compliance and control, deal with problems as soon as they arise, and guarantee that regulations are followed. These committees include Compliance Committee Of Management (CCM), Internal Risk Management Committee (IRMC), Assets Liability Committee (ALCO), IT Steering Committee (ITSC), and Management Committee (MANCOM). In addition to the BAC, other Board Committees such as the Board Risk Management Committee (BRMC), Board Human Resource Management Committee (BHRMC), Board Procurement Committee (BPC), Board Nomination Committee (BNC), Board Information Technology Committee (BITC), and Shariah Committee (SC) were also established to support the Board in carrying out its oversight role. These Committees review every issue that falls under their purview and advise the Board.

Following the testing and audits in 2023, there is confidence in the effectiveness of internal controls, with a continual dedication to improvement.

Regulatory Compliance:

The Compliance & ICFR Division at ZTBL encompasses four departments: Anti-Money Laundering (AML), Regulatory Compliance (RCD), Internal Control over Financial Reporting Implementation (ICFRID), and Service Quality & Complaints Management (SQ & CMD). The AML Department has achieved significant milestones, including the development of an e-KYC system, e-Customer Risk profiling module, and digitized Enhanced Due Diligence. It also successfully implemented a Real-Time Screening System for beneficiaries and enhanced monitoring tools. The department updated the AML/CFT/CPF Policy and Manual, conducted internal risk assessments, and facilitated ongoing due diligence exercises.

The RCD collaborates with various divisions to ensure timely submission of regulatory returns and addressed concerns highlighted in the SBP Inspection Report. The Compliance Division organized sessions to validate SBP observations, and the Field Compliance Monitoring Unit settled 95% of reported exceptions. The department pursued zones to settle internal audit observations, achieving a 40% closure rate. Efforts are underway for ECIB Data Cleansing.

ICFRID conducts periodic testing of controls and is undergoing a comprehensive overhaul of its control repository with the assistance of M/S KPMG Taseer Hadi & Co. The SQ & CMD department focuses on service quality and complaints management. It conducts assessments, mystery shopping, and a Customer Satisfaction Survey. The Bank demonstrates commitment to customer satisfaction by resolving 98% of complaints within 15-20 days. The department is also working on digitalization and the implementation of a centralized Complaint Management System in 2024. Overall, ZTBL strives for excellence in 2023 and commits to maintaining trust and customer satisfaction in the upcoming year.

Appointment of Auditors:

M/s BDO Ebrahim & Company, Chartered Accountants were appointed as statutory auditors for a term of three years under PPRA Rules. This term is going to complete with audit for the year ended December 31, 2023.

Process of Appointment and Nomination of Directors:

Bank's (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 General Meeting of the Bank.

As per State-Owned Enterprises (Governance & Operations) Act, 2023 and State-Owned Enterprise Ownership & Management Policy, Board Nomination Committee (to be constituted at Federal Government/concerned ministry level) will be responsible for identifying and recommending candidates to the Federal Government for appointment as independent directors. Central Monitoring Unit (CMU) will assist the BNC through developing and maintaining database of potential independent directors prepared based on the history of Board appointment, skills, knowledge, and experience, gender and their performance evaluation. A detailed framework for Board appointment process, director induction and BNC processes will be issued by CMU.

Profile of each Director (Qualification, Expertise & Experience) as on December 31, 2023.

S. NO.	NAME OF DIRECTOR	STATUS	QUALIFICATION	PREVIOUS EXPERIENCE	MEMBERSHIP ON THE BOARD OF OTHER COMPANIES
01	Mr. Naeemuddin Khan	Chairman Board	<ul style="list-style-type: none">- Graduation- Pace University, USA	<ul style="list-style-type: none">- President/CEO, The Bank of Punjab- Managing Director & CEO, Pak Libya Holding Company (Pvt.) Ltd.- Member Banking, Corporate & Industrial Restructuring Corporation, Finance Division, GoP.- SEVP, United Bank Limited- Also served in Emirates International Bank Limited and ANZ Grindlays Bank PLC	-----
02	Mr. Tahir Yaqoob Bhatti	President/CEO	<ul style="list-style-type: none">- M.B.A.- M.Com- DAIBP- DCMA	<ul style="list-style-type: none">- President/CEO, Punjab Provincial Cooperative Bank Limited- SEVP/Group Head, Faysal Bank Limited- SEVP/Business Head, JS Bank- Group Chief/Group	<ul style="list-style-type: none">- Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL)- Member Board, PASSCO (On behalf of ZTBL)

				<ul style="list-style-type: none"> Head, Allied Bank Limited - Executive Vice President, Askari Bank Limited - Country Head, SAM, Askari Bank Limited 	
03	Mr. Zaigham Mahmood Rizvi	Director	<ul style="list-style-type: none"> - M.A Economics - M.Sc, Chemical Engineering 	<ul style="list-style-type: none"> - 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 	-----
04	Syed Javed	Director	Masters in Economics	<ul style="list-style-type: none"> - Group Head, Customer Services, UBL - Group Executive, Strategic Business Planning, UBL - Group Head, Human Resource, UBL - Nominee Director of UBL at Khushhali Microfinance Bank Limited and NIFT, 	Chairman Board, Pakistan Revenue Automation Limited
05	Mr. Ahmed Taimoor Nasir	Director	<ul style="list-style-type: none"> - M.B.A. - M.Sc (Social Policy & Planning in Dev. Countries) - B.E. (Electronics) 	<ul style="list-style-type: none"> - Joint Secretary, Finance Division, GoP - Joint Secretary, Power Division, Ministry of Energy, GoP - Director General (National Socio-Economics Registry), Benazir Income Support Program, Islamabad - Deputy Military Accountant General, Office of the Military Accountant General, Rawalpindi 	

				- Director General (HRM/Budget & Admn.), Office of the Auditor General of Pakistan, Islamabad	
06	Mr. Haaris Mahmood Chaudhary	Director	M.B.A.	- Chief Executive Officer, Universal Service Fund, Islamabad - Chief Financial Officer & Head of Corporate Affairs, Universal Service Fund - Vice President, Barclays Bank - Vice President, Clariden Leu Asset Management Credit Suisse, Dubai - Vice President, ABN AMRO Bank	
07	Mr. Muhammad Mahmood	Director	- Masters in Public Policy Analysis and Economics - Masters in Governance & Development Economics	- Additional Secretary (Incharge), Petroleum Division, GoP - Commissioner, Rawalpindi Division, Rawalpindi - Secretary, Forestry, Wildlife & Fisheries Deptt., Govt. of Punjab - Secretary, School Education Department, Punjab - Secretary, Agriculture Deptt., Govt. of Punjab	- Chairman Board, PASSCO - Chairman, Dairy Development Board - Chairman, Fisheries Development Board

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. Naeemuddin Khan	24.08.2023	Chairman Board/ Independent Director	- Human Resource Committee	-

2	Mr. Tahir Yaqoob Bhatti	31.08.2023	President/CEO/ Executive Director	<ul style="list-style-type: none"> - Risk Management Committee - Nomination Committee - Business Development & Review Committee - SAM-NPLs/Litigation Committee 	<ul style="list-style-type: none"> - Chairman, Kissan Support Services (Pvt.) Limited (A subsidiary of ZTBL) - Member Board, PASSCO (On behalf of ZTBL)
3	Mr. Zaigham Mahmood Rizvi	10.03.2021	Independent Director	<ul style="list-style-type: none"> - Audit Committee - Risk Management Committee - Nomination Committee - Business Development & Review Committee 	-
4	Syed Javed	10.03.2021	Independent Director	<ul style="list-style-type: none"> - Audit Committee - Human Resource Committee - Procurement Committee - Nomination Committee - Committee on Information Technology - SAM-NPLs/Litigation Committee 	- Chairman Board, Pakistan Revenue Automation Limited
5	Mr. Ahmed Taimoor Nasir	05.05.2023	Ex-Officio Director	<ul style="list-style-type: none"> - Audit Committee - Human Resource Committee - Risk Management Committee - Procurement Committee - Nomination Committee - Committee on Information Technology 	-
6	Mr. Haaris Mahmood Chaudhary	10.03.2021	Non-Executive Director	<ul style="list-style-type: none"> - Human Resource Committee - Procurement Committee - Committee on Information Technology - SAM-NPLs/Litigation Committee 	-
7	Mr. Muhammad Mahmood	27.12.2023	Ex-Officio Director	-	<ul style="list-style-type: none"> - Chairman Board, PASSCO - Chairman, Dairy Development Board - Chairman, Fisheries Development Board

Composition & Membership of Board Committees

1. BOARD AUDIT COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Syed Javed	Chairman
02	Mr. Zaigham Mahmood Rizvi	Member
03	Mr. Ahmed Taimoor Nasir	Member
	Chief Internal Auditor	Secretary

2. BOARD HUMAN RESOURCE COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Naeemuddin Khan	Chairman
02	Syed Javed	Member
03	Mr. Haaris Mahmood Chaudhary	Member
04	Mr. Ahmed Taimoor Nasir	Member
	Head/Human Resource Division	Secretary

3. BOARD RISK MANAGEMENT COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Zaigham Mahmood Rizvi	Chairman
02	Mr. Ahmed Taimoor Nasir	Member
03	Mr. Tahir Yaqoob Bhatti	Member
	EVP/Head, Enterprise Risk Management Division	Secretary

4. BOARD PROCUREMENT COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Haaris Mahmood Chaudhary	Chairman
02	Syed Javed	Member
03	Mr. Ahmed Taimoor Nasir	Member
	Head/Services Division	Secretary

5. BOARD NOMINATION COMMITTEE

S. No.	NAME OF DIRECTOR	STATUS
01	Mr. Ahmed Taimoor Nasir	Chairman
02	Mr. Zaigham Mahmood Rizvi	Member
03	Syed Javed	Member
04	Mr. Tahir Yaqoob Bhatti	Member
	Company Secretary	Secretary

6. BOARD COMMITTEE ON INFORMATION TECHNOLOGY

S. No.	NAME OF DIRECTOR	STATUS
01	Syed Javed	Chairman
02	Mr. Haaris Mahmood Chaudhary	Member
03	Mr. Ahmed Taimoor Nasir	Member
	Chief Information Officer	Secretary

7. BOARD BUSINESS DEVELOPMENT & REVIEW COMMITTEE

S. No.	PROPOSED	STATUS
01	Mr. Zaigham Mahmood Rizvi	Chairman
02	Mr. Tahir Yaqoob Bhatti	Member
	Head/Planning, Research & Technology Division	Secretary

8. BOARD SAM-NPLS/LITIGATION COMMITTEE

S. No.	PROPOSED	STATUS
01	Mr. Haaris Mahmood Chaudhary	Chairman
02	Syed Javed	Member
03	Mr. Tahir Yaqoob Bhatti	Member
	EVP/Head, Recovery & SAM Division	Secretary

Number of Board & Committee Meetings Held and Attendance by the Members during the Year 2023

Nine (09) meetings of the Board were held during the year 2023. Attendance of the members remained as under:-

S. No.	Name of Member	Designation	No. of meetings attended
01	Mr. Naeemuddin Khan *	Chairman	04
02	Mr. Tahir Yaqoob Bhatti *	President/CEO/ Director	04
03	Mr. Zaigham Mahmood Rizvi	Director	10
04	Syed Javed	Director	10
05	Mr. Ahmed Taimoor Nasir **	Director	06
06	Mr. Haaris Mahmood Chaudhary	Director	08
07	Mr. Muhammad Mahmood ***	Director	00
08	Mr. Asad Ullah Habib **	President/CEO (A)/	06

		Director	
09	Mr. Zafar Hasan **	Director	06
10	Mr. Muhammad Aslam Ghauri *	Director	04

* Four meetings held during their tenure.

** Six meetings held during their tenure

*** No meeting 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. Naeemuddin Khan	04	--	01	-	-	-	-	-
2	Mr. Tahir Yaqoob Bhatti	04	-	-	2		-	2	
3	Mr. Zaigham Mahmood Rizvi	10	5	14	4	2	-	5	-
4	Syed Javed	10	5	14	4	1	-	4	3
5	Mr. Ahmed Taimoor Nasir	06	4	9	3	2	-	-	1
6	Mr. Haaris Mahmood Chaudhary	08	4	12	-	2	-	-	3
7	Mr. Muhammad Mahmood	00	-	-	-	-	-	-	-
8	Mr. Asad Ullah Habib	06	-	-	2			3	2
9	Mr. Zafar Hasan	06	-	-	-	-	-	2	2
10	Mr. Muhammad Aslam Ghauri	04	1	4	1	-	-	-	-

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.

- v. 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 2023.
- vi. Based on the results of December 31, 2023 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, 2023 except as disclosed in these financial statements.

Disclosures Relating To Remuneration Policy

- i. The Remuneration Policy at ZTBL aims to align compensation practices with international best principles and standards, considering the expanding risk portfolio and direct risk-taking behavior.
- ii. The policy seeks to attract, engage, and retain high-performing employees in a competitive market, offering a competitive and market-aligned remuneration package.
- iii. It emphasizes fixed salaries as a significant component, encouraging employees to create sustainable results for both customers and the Bank.
- iv. The policy also focuses on effective risk management aligned with the Bank's strategy, values, and long-term goals.
- v. It ensures that the total bonus pool does not undermine the Bank's capital base and establishes a stringent governance structure for goal-setting and communication.
- vi. Remuneration components include fixed remuneration, performance-based remuneration (bonus), pension schemes, other benefits in kind, and severance payments where applicable.
- vii. The Board of Directors approves separate salary packages for each category, periodically reviewed with actuarial valuation.
- viii. The Bank identifies Material Risk Takers (MRTs) for products and processes with significant risks, designating appropriate authorities.
- ix. The policy emphasizes that profit maximization alone is not the sole benchmark for determining salaries and bonuses; it also considers the quantum of risk involved in generating profit.

Responsibility levels of the key executives in major decisions

1. The Board of Directors at the Bank reviews and assesses various financial and operational aspects, including:
 - Annual business plans
 - Cash flow projections
 - Forecasts
 - Long-term plans
 - Budgets encompassing capital, manpower, and expenditures
 - Variance analyses
2. The Board examines internal and commercial audit reports, observations from SBP Inspection Teams, and management letters from external auditors. Scrutinizing includes:
 - Status and implications of legal proceedings involving the Bank
 - Material payments of government dues
 - Significant accidents and dangerous occurrences
3. Approval of Annual, quarterly or other periodical accounts for circulation among board members.
4. Reports on governance, risk, and compliance issues, as well as periodic reviews of Human Resource Policies, are included in the assessment.

5. Salary structures adhere to: Pay scales, Allowances, Fringe benefits for employees under SSR, 1961, Monetized salaries are provided to those governed under SR-2005.
6. Approval of Performance bonuses, Retirement/severance benefits, Death benefits
7. Bonus and award criteria for CEO, senior executives, and Material Risk Takers (MRTs) are based on factors such as:
 - Profit before tax
 - Risk-adjusted return assessment
 - Cost
 - Customer satisfaction
 - Compliance with internal procedures
 - Expected loss
8. The Bank has established a separate monetized salary structure for Treasury cadre employees posted in the Treasury Division, acknowledging their role in performing Risk Control Functions as MRTs.

REMUNERATION OF DIRECTORS

The shareholders in General Meeting have approved Board Remuneration Policy in line with regulatory requirements. Further, Fee and Allowances for the Directors have also been revised in December 2023. At present, the shareholders approved the following remuneration/fees and other benefits for the members while attending the meetings of the Board of Directors and its Committees.

1.	Meeting of the BoD/shareholders	Rs. 200,000/meeting
2.	Meeting of Board Committees	Rs. 150,000/-meeting
3.	Traveling	Rs. 50/km if travelled by own car or Return Air Ticket (Business Class)
4.	5 Star Hotel accommodation	Actual hotel bill or daily allowance @ Rs 35,000/- per diem, in lieu of hotel accommodation and other expenses

Future Outlook:

The Bank has outlined several milestones for 2024, including the initiation of implementing the Core Banking System, procurement of security information and event management (SIEM) solutions, document management software, latest video conference systems, and the implementation of e-procurement and standard bidding documents as per PPRA regulations. These initiatives highlight ZTBL's commitment to modernizing its operations and enhancing efficiency in line with industry standards and regulatory requirements.

Furthermore, the rationalization of manpower at both the Head Office and Field Offices, as well as the restructuring and functional realignment of the Bank's offices to align with industry practices, is also planned. Additionally, there will be a review of compensation benefits for Bank employees and a focus on succession planning through fresh recruitments and promotions to ensure the smooth transition of retiring employees. Competency assessment and training needs will also be addressed to enhance the skills of the Bank's workforce.

The Bank aims to digitize learning for employees, in response to directives from the State Bank of Pakistan (SBP), ZTBL plans to adopt e-learning methodologies, mobile-based learning, webcasting, and video conferencing for employee capacity building. The Training and Development Department (T&DD) has formulated a hybrid approach for the training plan in 2024, encompassing face-to-face and online training sessions.

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.

According to the training plan, a total of 3325 employees will receive training in various areas such as operations, risk, recovery, audit, compliance, Islamic Banking, and green Banking. Classroom sessions on the National Financial Literacy Program (NFLP) will also be conducted in 36 districts of Pakistan, as per targets assigned by the SBP.

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 31.12.2023		
S.R#	Name Of Fund	Rs. Million
1	Employees Benefit Fund	137.95
2	Benevolent Fund (Officers)	1,077.73
3	Benevolent Fund (Staff)	805.11
4	Pension Fund	12,497.19
5	Gratuity Fund	-
6	Employees Provident Fund	152.94
7	General Provident Fund (Officers)	5,238.49
8	General Provident Fund (Staff)	829.31
9	Contributory Provident Fund	899.90
10	Gratuity Fund (under SR-2005)	2,720.27
	*Unaudited Figures	24,358.89

Profit & Loss Appropriation - 2023 (Rupees in '000)

Profit Before Tax	17,606,167
Taxation:	
Current	7,837,176
Deferred	(1,215,143)
Profit After Tax	10,984,134
Un-appropriated (loss) brought forward	(1,203,782)
Other comprehensive gain - net of tax	2,759,751
Profit after taxation for the year	10,984,134
Transferred to statutory reserve	(2,196,827)
Un-appropriated profit as on Dec 31, 2023.	10,343,276

SHARE HOLDING (As on 31.12.2023)

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 31.12.2023)

Name:	Zarai Taraqiati 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/-

Board of Directors:

Mr. Naeemuddin Khan	Chairman
Mr. Tahir Yaqoob Bhatti	President/CEO
Mr. Zaigham Mahmood Rizvi	Director
Syed Javed	Director
Mr. Ahmed Taimoor Nasir	Director
Mr. Haaris Mahmood Chaudhary	Director
Mr. Muhammad Mahmood	Director

Chief Financial Officer:


Mr. Muhammad Arif

Company Secretary:


Mr. Tariq Mahmood Talib

Appreciation & Acknowledgement

Ultimately, the Directors record their profound gratitude for the important role that each and every one of our workers played through their passion, diligence, and hard work, as well as for the faith that the farming community and farmers placed in us. We also thank State Bank of Pakistan, as well as other regulators, shareholders, partners, and clients in general, for their assistance. We want to have your ongoing support as we work to expand agriculture's access to creative, reasonably priced financing.



Tahir Yaqoob Bhatti
President / CEO



Naeemuddin Khan
Chairman, Board