

## 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, 2023, 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 eighty eight (188) branches which have been audited by us and notes to the unconsolidated financial statements, including material accounting policy information 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, 2023 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:

Sr. No.	Key Audit Matters	How the matter was addressed in our audit
1	<p><b>Provision against advances</b></p> <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 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 19% of its total assets and are stated at Rs. 105,508 million which are net of provision of Rs. 14,475 million as at December 31, 2023.</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>Our audit procedures in respect of classified portfolio and provision thereon included the following:</p> <ul style="list-style-type: none"> <li>• We reviewed the design and operating effectiveness of the Bank'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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• In respect of the level of general provision maintained by the Bank and specific provision recognized, we discussed the approach and policy</li> </ul>



		<p>followed by the Bank with the management.</p> <ul style="list-style-type: none"> <li>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.</li> </ul>
2	<b>Valuation of Investments</b>	
	<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 66% of total assets amounting to net investments of Rs. 372,212 million as at 31 December 2023.</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 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>Our audit procedures in respect of valuation of investments mainly included the following:</p> <ul style="list-style-type: none"> <li>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.</li> <li>Checking on a sample basis, the valuation of Government securities and debt securities to supporting documents and market prices.</li> <li>Comparing the cost of each equity investments to its market value to determine the valuation and recognition as per the policy of the bank.</li> <li>Evaluated the management assessment in respect of valuation and impairment of investment in un-listed shares.</li> <li>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.</li> </ul>





## 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.



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 agreement with the books of account and returns;
- 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 Atif Riaz.

ISLAMABAD

DATED: 04 MAR 2024

UDIN: AR202310060KA9w20mgv



**BDO EBRAHIM & CO.**  
**CHARTERED ACCOUNTANTS**