

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZARAI TARAQIATI BANK LIMITED

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the annexed consolidated financial statements of **Zarai Taraqati Bank Limited** and its subsidiary **(the Group)**, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated 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, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and 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 the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's 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 period. 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 is the key audit matter:

Key Audit Matter	How the Matter was Addressed in our Report
<p><b>1. Adoption of IFRS-09 and recognition of expected credit loss against financial assets</b></p> <p>Refer to the note 4.1.2 to the annexed consolidated financial statements.</p> <p>As of December 31, 2024, the Group's financial assets, including advances, represent a significant portion of its total assets. The Group adopted IFRS 9 'Financial Instruments' from January 1, 2024, in accordance with SBP's BPRD Circular letter No. 7 of 2023. The Standard introduces a new impairment model based on Expected Credit Losses (ECL) on the financial assets, replacing the previous 'incurred credit losses' approach. The Group applied the modified retrospective approach, without restating comparatives for 2023.</p> <p>The adoption of IFRS 9 led to a transition adjustment of Rs. 5,498.565 million to retained earnings as of January 1, 2024. The details of impact if this adoption are provided in Note 4.1.2 to the consolidated financial statements.</p> <p>The estimation of Expected Credit Loss (ECL) involves significant management judgements and estimates, particularly in areas such as the selection of risk parameters (PD, LGD, EAD), the classification of advances into stages, and the use of forward-looking economic data. Additionally, the Group must assess recoveries for non-performing loans and ensure compliance with SBP's provisioning requirements for Stage 3 advances. Due to these complexities, we identified the adequacy and completeness of ECL as a key audit matter.</p>	
	<p>Our key audit procedures relating to adoption of IFRS-09 and recognition of expected credit loss against financial assets included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Group's methodology for estimating ECL on all financial assets, including its accounting policies and key assumptions applied in the adoption of IFRS 9.</li> <li>• Evaluated the design and implementation of controls over the ECL estimation process, including model validation procedures and compliance with SBP's IFRS 9 instructions.</li> <li>• Evaluated the completeness and accuracy of critical data used in the ECL model, including exposure at default (EAD), probability of default (PD), and loss given default (LGD).</li> <li>• Assessed the appropriateness of the staging criteria used to classify advances under IFRS 9 and SBP Prudential Regulation, ensuring proper identification of significant increase in credit risk (SICR) and credit-impaired advances based on both quantitative and qualitative indicators.</li> <li>• Evaluated the selection of macroeconomic variables used in the ECL model, ensuring their relevance to the agricultural sector and the reliability of forecasts, as well as the reasonableness of the weightages assigned to different economic scenarios in the ECL computation.</li> <li>• Performed independent recalculations of ECL on selected loan exposures to validate the mathematical accuracy of the model.</li> <li>• Considered the adequacy of the related disclosures and assessed whether these are in accordance with the applicable financial reporting framework.</li> </ul>





**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the 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, the requirements of 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 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.

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## **Auditor's 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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.

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 to 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.

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From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

#### **Other Matter**

The consolidated financial statements of the Group for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on March 04, 2024.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Nasir Muneer.



**CROWE HUSSAIN CHAUDHURY & CO.**  
*Chartered Accountants*

Lahore  
Dated: March 25, 2025  
UDIN: AR202410169rSFqJ1BY6