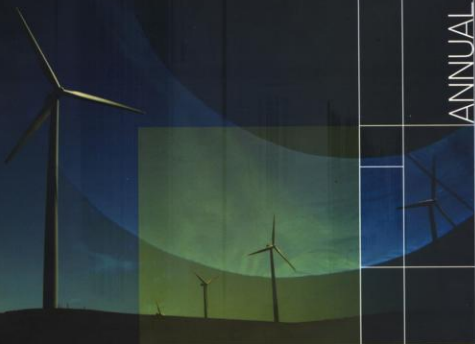


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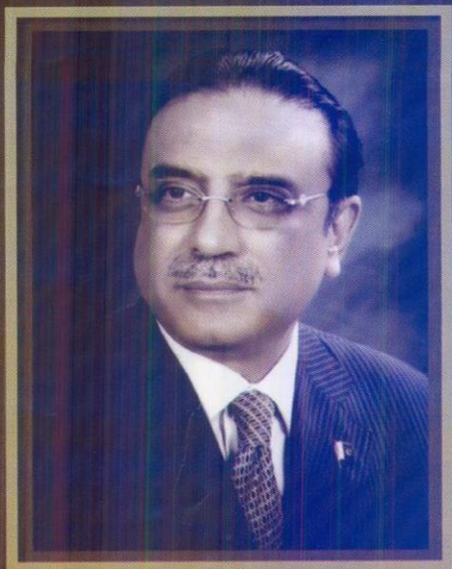
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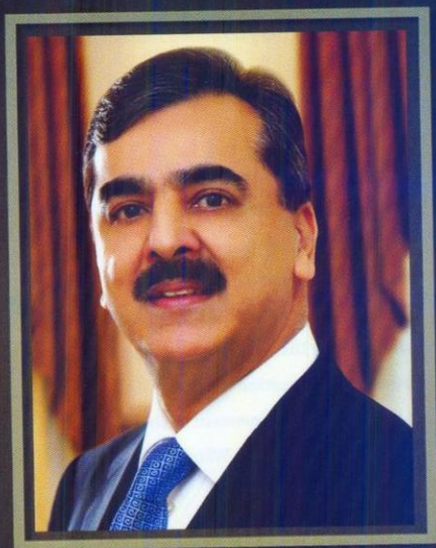
Zarai Taraqati Bank Limited ZTBL







ASIF ALI ZARDARI
President
Islamic Republic of Pakistan



SYED YOUSAF RAZA GILANI

Prime Minister
Islamic Republic of Pakistan

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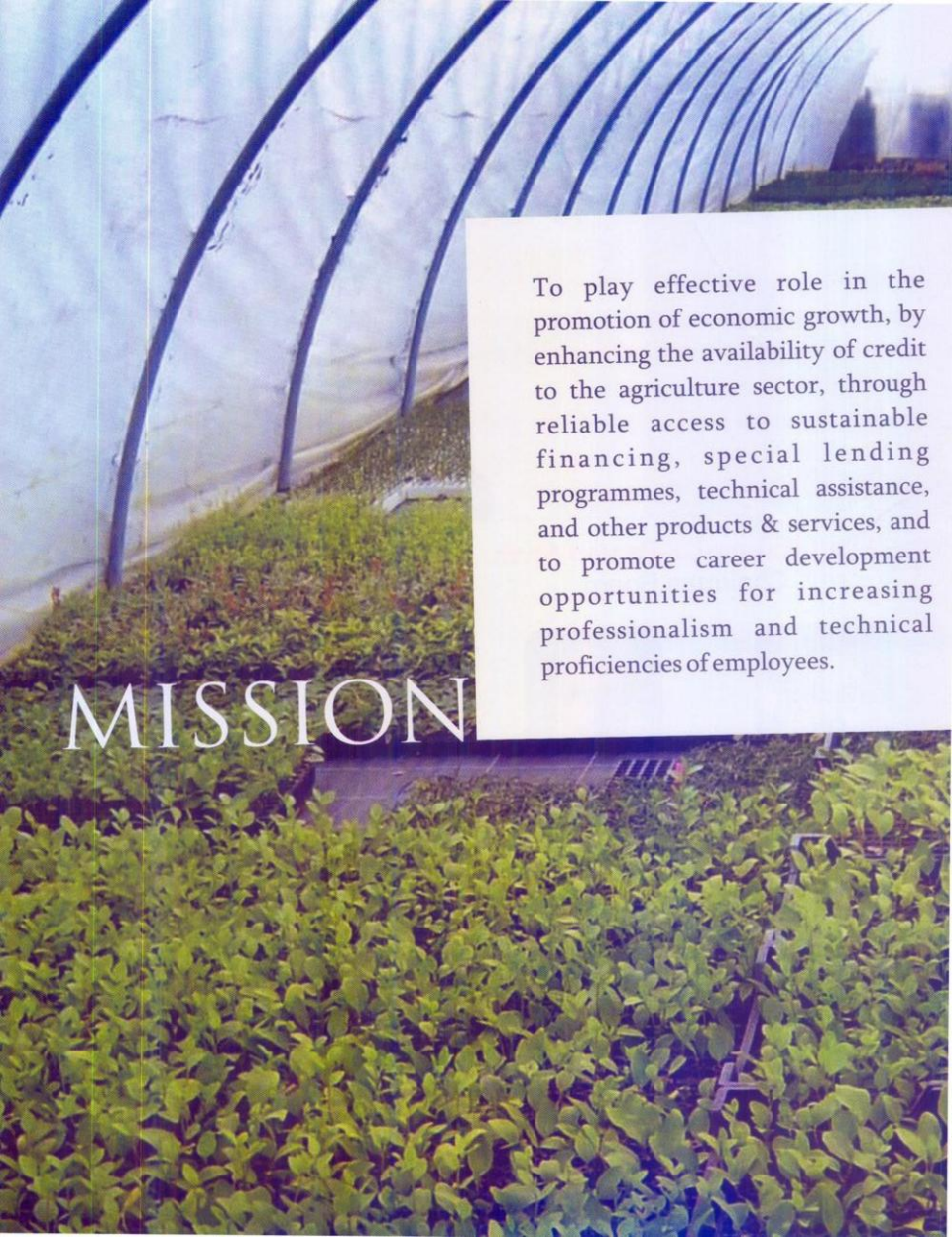


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VISION

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.

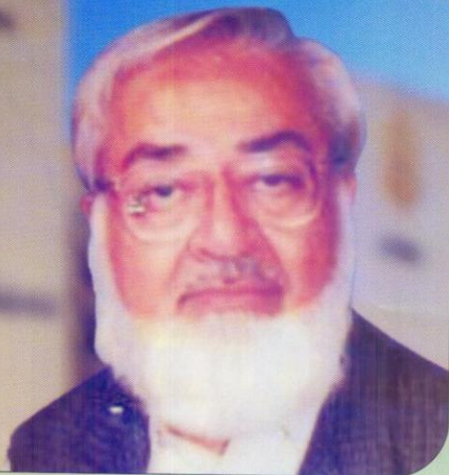




To play effective role in the promotion of economic growth, by enhancing the availability of credit to the agriculture sector, through reliable access to sustainable financing, special lending programmes, technical assistance, and other products & services, and to promote career development opportunities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

MISSION

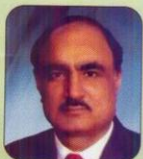
Board of Directors



Syed Qamar-Uz-Zaman Shah
Chairman Board



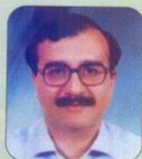
Muhammad Zaka Ashraf
President/ CEO



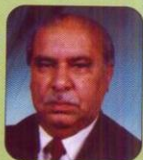
Mr. Tauqir Ahmad Faiq
Director



Mr. Ifkhar Khan Mohmand
Director



Dr. Khalid Ahmad Khokhar
Director



Mr. Imam Bux Shaikh
Director

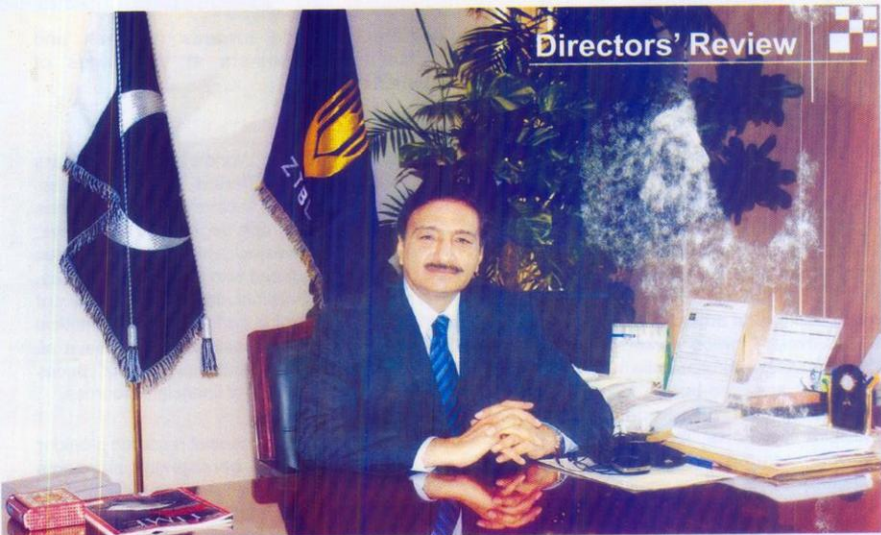


Mrs. Nazrat Bashir
Director



Muazam Ali
Company Secretary





Muhammad Zaka Ashraf President/ CEO

Directors' Review

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Zarai Taraqati Bank Limited (ZTBL) along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2009.

The Economy of Pakistan

In spite of structural shift towards industrialization, agriculture sector continues to be a prominent sector of economy with deep impact on socio-economic setup. About 68% of the total population is living in the rural areas. The sector at present employs over 17 million workers, who represent 44% of the total work force while 65% exports from the country are agro-based. With the present contribution to GDP around 22 percent, agriculture sector is mainstay of the rural economy around which socio-economic privileges and deprivations revolve.

The performance of agriculture sector has been stronger than expected during 2008-09 as

against the target of 3.5 percent and last year's performance of 1.1 percent, overall agriculture this year is estimated to grow by 4.7 percent on account of bumper wheat, rice and maize crops estimated as 23.42, 6.9 and 4.0 million tons respectively.

Agriculture is therefore, economically important sector for Pakistan's economy which continues to suffer from major inefficiencies due to host of reasons such as inefficient water management, poor infrastructure, outdated procedures, indifferent attitude towards research and exploitation of farmers at the hands of intermediaries.

Bank's Operations

Pakistan is one of the World's largest producers and suppliers of different agro produces. Agriculture and related sectors products comprise of major and minor crops, vegetables and spices, fruits, edible oils, livestock, milk, poultry, fisheries etc. This sector is faced with multiple challenges. The major constraints include in time availability of agriculture inputs like certified seed, chemical fertilizers, insecticides/pesticides and above all irrigation water. Ever increasing input prices require timely availability of financial resources.

ZTBL, being the major financial resource provider to

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ZTBL, being the major financial resource provider to agriculture sector persistently augments Government efforts to achieve self sufficiency in food and marketable surplus, has geared up its efforts for providing viable financial services to this sector.

During the year 2006 to 2009, the Bank considerably improved its operations and continued to push forward its on-going programmes relating to provision of credit to target groups covering landless, subsistence and small farmers to help increase their productivity as well as income level. The Bank achieved outstanding results during 2006-2009 and registered a substantial growth in its Disbursement, Recovery Operations and Profitability.

(Rs. million)

PARTICULARS	2006	2007	2008	2009	Growth over 2008
A. Disbursement					
1. Total Disbursement	52,521	55,912	70,698	77,680	9.9%
a. Production Loans	47,786 (91.0%)	50,222 (89.8%)	58,524 (82.8%)	61,716 (79.4%)	5.5%
b. Development Loans	4,735 (9.0%)	5,690 (10.2%)	12,174 (17.2%)	15,964 (20.6%)	31.1%
2. Share of Small Farmers (upto 25 Acres)	44,330 (84%)	47,123 (84%)	61,105 (86%)	67,992 88%	11.3%
B. Recovery Operation					
Total Amount Recovered	49,156	58,080	65,937	69,549	5.5%

The Bank has extended the benefits of modern Information and Communication Technology (ICT) to its esteemed customers and has continued to acquire and implement ICT related technologies during 2009. Adoption of these technologies has enabled the Bank to improve its operational efficiency by moving from manual to automated banking. Some of the most conspicuous achievements in the field of Information & Communication Technology are as under:

- The Centralized Field Operations Computerization System (cFOCS) has been strengthened with On-line Inter-Branch Transactions.
- Established fail-over site for the continuation of business critical functions in the event of a disruptive situation.
- Successfully rolled out Symantec Endpoint Protection software with view to improve IT Security.
- Completed the process to establish networking of 347 branches with Head Office to facilitate centralized data processing.
- Implemented decision of Federal Government for delivery of 10,000 tractors on subsidized rates under Benazir Tractor Scheme through automation of all relevant records to facilitate MINFA for holding computer balloting.
- Successfully computerized ZTBL Hajj

operations in association with Ministry of Religious Affairs.

In addition to this ZTBL has successfully accomplished the following landmarks:-

- Opened 6 new branches and 11 Area Offices in Rural Areas, besides 01 Zonal Office at Muzaffarabad (AK) during the year 2009.
- Achieved Deposit level of over Rs. 8.804 billion, against the target of Rs. 8.040 billion.
- Conversion from offline system to online computerized Day end processing by all 347 ZTBL branches.
- In house development / implementation of Deposit Management System (DMS) has almost been completed.
- Design, Implementation and testing of corporate wide Internal Control as per SBP guidelines.
- Country wide collection of utility bills.
- Attracted business of Hajj and Alhamdulillah, in the first year of handling this business ZTBL has processed 1,800 Hajj applications.
- ZTBL has introduced Dynamic Deposit Products such as Rozana Bachat Account, Mustaqbil Mehfooz Deposit Account, Zarai Bachat Account and Zarai Term Deposit Certificates, etc.
- Improved upkeep and re-location of branches is in progress.

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Future Outlook

In line with Government strategy for

development & modernization of agriculture sector, the Bank plans to play an effective role by enhancing the availability of credit to farming community. Highest priority will be accorded to fulfill the demand of small farmers with landholding under 25 acres. Also the Bank is aiming at enhancing its development role through diversification and expansion of loanable products by formulating policies for revival of credit programme for women and financing new items like corporate farming, alternative sources of energy i.e. solar energy, wind mill etc. and modern technologies. For this, the Bank has established Agriculture Technology Division which would enable the Bank to achieve its future objectives.

To fulfill this commitment to the farming community, ZTBL has planned to open 6 new branches and 08 Area Offices in Rural Areas besides Zonal Office at Gilgit-Baltistan.

To cope the present government's vision for agriculture development and alleviate rural poverty, Bank is launching crop insurance scheme for five major crops to protect farmer's losses on the directives of Federal Government.

The Bank is revamping its IT infrastructure, for the purpose, online processing system has already been successfully deployed for providing quality and timely services to its small farmers. For back office operations, Bank has procured state-of-the art suite of

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small farmers. For back office operations, Bank has procured state-of-the art suite of application software (ERP) from Oracle Corporation with the assistance of Asian Development Bank. Other major milestones in respect of information technology are Online Verification System, Identity Management System and establishment of data centre. The Bank is also in process of acquiring a suitable core banking applications system to enhance its capabilities in launching state of the art products along with providing additional delivery channels such as Internet Banking, SMS/Mobile Banking, ATMs and other door step delivery facilities to small farmers. We have more than 600,000 borrowers who will be benefited directly with IT enabled facilities.

The Bank embarked on the exercise of revamping/restructuring of ZTBL in 2009 on the directives of the Government which is under implementation. The basic reason for conducting the study is to assist the Bank in the formulation of a Medium Term Strategy (MTS) which will enable the Bank to rapidly adjust and respond to the changes emerging in the agriculture sector and to play a vital role in transforming Pakistan's agriculture. The salient recommendations of the consultants are:

1. Revise vision and mission statements in line with planned role of ZTBL.
2. Expand outreach by introducing new

products/technologies including alternate energy resources/efficient irrigation system, attracting new borrowers, revising existing credit limits, negotiating for new credit lines etc.

3. To increase the financing to agriculture sector to bridge the current agri. credit gap of more than Rs.430 billion which is expected to cross Rs. 1 trillion in the coming 3-5 years, ZTBL is therefore to enhance credit upto Rs.800 billion in five years to realize the direct benefits to GDP contribution of Rs.1.63 trillion from 5th year onward whereas indirect benefits and multiplier impact will be manifold.

4. Strategic investments according to 8 different agro ecological zones, giving due attention to profitability and equity in allocation of resources with special focal shift to high value agriculture enterprises and new initiatives.

5. In order to save foreign exchange being spent on import of tea and edible oil, cultivation of said crops in addition to traditional ones should be encouraged by extending credit and technical assistance to the farming community.

6. By taking the proposed steps, ZTBL

ZTBL Financial highlights are summarized below:-

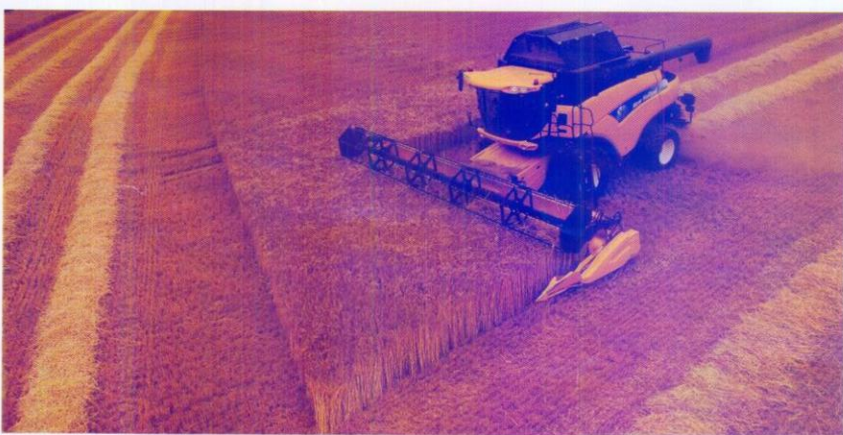
(Rs. million)

Particulars	2007	2008	2009
1. Total Assets	93,386	102,341	112,619
2. Advances – net	61,313	69,923	81,974
3. Cash & Bank Balance	14,047	17,614	11,891
4. Operating Fixed Assets	865	1,143	1,070
5. Share Capital	11,870	12,522	12,522
6. Deposits	4,323	5,425	8,751
7. Total Income	12,756	14,263	15,165
8. Total Expenses	10,972	10,275	11,115
Appropriations			
Profit/(Loss) before Taxation	1,784	3,988	3,373
Taxation	751	1,387	1,246
After Tax Profit/(Loss)	1,033	2,601	2,127
Un-appropriated Profit brought forward	1,008	1,834	3,263
Profit available for Appropriation	2,041	4,436	5,390
Transferred to Statutory Reserve (20% of after tax profit)	207	520	425
Issuance of Bonus Shares	-	653	-
Transferred to Contingencies Reserves	-	-	-
Un-appropriated Profit Carried forward	1,834	3,263	4,964

Share Holding of ZTBL

Authorized Capital of Bank is Rs.25,000,000,000/- divided into 2,500,000,000 ordinary shares

of Rs.10/- each. Paid-up capital is Rs.12,522,440,670. Pattern of share holding as at 31.12.2009 is annexed.



Earnings per Share

During the year under review basic earnings per share was Rs.1.698 compared to Rs.2.077 in 2008. Its computation has been reported in the financial statements.

Credit Rating

JCR-VIS Credit Rating Company, Karachi in its report of June 29, 2009 has reaffirmed credit rating of the Bank at AAA/A-1+ (2008:AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short term credit rating of B. (2008, B+ medium to long term, B short term rating).

Risk Management Framework

The risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. At the organizational level, ZTBL has established a robust risk management structure which encompasses a broader framework of Committees, Department and Units responsible for each type of risk. An independent Risk Management Department

has been established which directly reports to the President. A Board Risk Committee and two separate Committees on Credit Risk and Operational Risk have been set up at Head Office to address issues relating to credit and operations. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control as well as to comply with Basel-II standards. The Bank has set up a Basel-II Implementation Committee and working groups to implement orderly transition and effective implementation of this Basel-II Accord in the Bank. A separate Unit for Basel-II has been established in the Risk Management Department to address issues relating to the Basel-II compliance in a timely manner. With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

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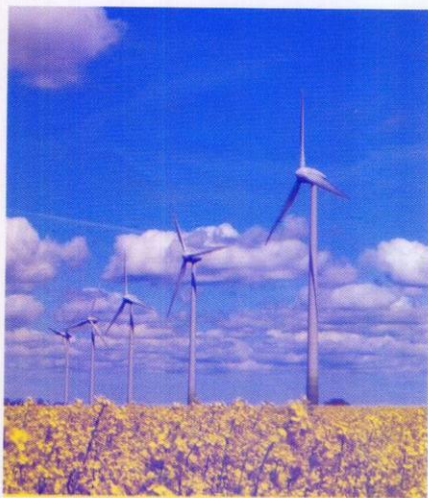
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Sr. No.	Name of Member	Designation	No. of meetings attended
01	Syed Qamar-uz-Zaman Shah	Chairman	02
02	Mr.Muhammad Zaka Ashraf	President ZTBL/ Director	02
03	Mr.Yawar Zia *	Director	02
04	Mr.Qamar Zaman Chaudhry *	Director	02
05	Mr.Tauqir Ahmad Faiq	Director	01
06	Dr.Khalid Ahmad Khokhar	Director	02
07	Mr.Imam Bux Sheikh	Director	02
08	Mr.Sikandar Hayat Jamali	Director	00
09	Mr.Muhammad Iftikhar Khan Mohmand	Director	02

* Replaced by Ms.Nuzrat Bashir

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 Audit Department, as are other systems and procedures. This vigilance will continue and identified weakness in controls will be remedied expeditiously.
- Based on the results of December 31, 2009, the Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- 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.
- Key operating data and financial data in summarized form, are included in this Annual Report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of

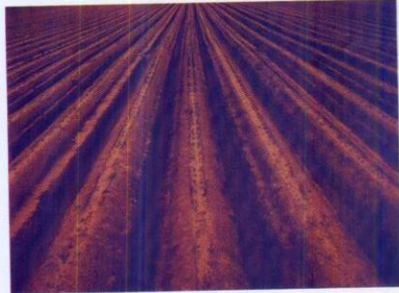


December 31, 2009 except as disclosed in these financial statements.

Statement of Internal Control

The Bank is placing increasingly greater emphasis on induction of an effective and reliable system of internal controls:

- i. An Audit Committee of the Board has been constituted with the objective of having a direct oversight responsibility to ensure independence of the internal audit functions and also the independence of external auditors. The Audit Committee meets at least once every quarter in accordance with Code of Corporate Governance.
- ii. In accordance with the provisions of the Code of Corporate Governance, the Internal Audit Division with functional reporting to the Audit Committee of Board of Directors is functioning in ZTBL.
- iii. The Bank's Internal Audit Division through its network audits each branch of the Bank on periodic basis.
- iv. The management proactively pursues the rectification of the observations and



weaknesses pointed out by internal and external auditors.

- v. The compliance function has been strengthened to augment internal monitoring and control for improving the effectiveness of Bank's policies and procedures. Compliance Review Program (CRP) is operative in large branches having substantial loan portfolio. Branch Compliance Officers have been posted in the selected branches to review the Bank operations on daily basis.
- vi. In the wake of emerging new auditing techniques, to build capacity and improve quality of audit, a comprehensive training program for all audit personnels was arranged in 2009.
- vii. For prompt and timely remedial/ preventive measures / actions, a special incident report has been introduced. Major irregularities in the operational activities of the Branches are highlighted and promptly brought to the notice of the Management for action/rectification.

In view of the above, the management has a reasonable assurance that internal controls are in place and the key aspects are working.

Auditors of the Bank

1. Hyder Bhimji & Company,
Chartered Accountants
2. BDO Ebrahim & Company ,
Chartered Accountants

Acknowledgement

Finally I wish to express my sincere appreciation to the entire staff of the Bank at Head Office and in the field who have worked hard to produce tangible results to enable the Bank in attaining an impressive growth in all spheres of operations i.e. disbursement, recovery, deposits and profitability. It reflects the Bank's commitment towards uplifting of agriculture sector to help accelerate economic growth for eventually alleviating rural poverty. I take this opportunity to place on record my gratitude to Ministry of Finance, State Bank of Pakistan and SECP for their guidance and assistance extended to the Bank. In the coming year, the Staff will have to work even harder to develop and operate ZTBL as a proactive financial institution for sustainable financial growth leading to economic development.

For and on behalf of the Board

[Muhammad Zaka Ashraf]
President / CEO ZTBL

ZARAI TARAQIATI BANK LIMITED

Corporate Information

(As on 31.12.2009)

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.25,000,000,000/- divided into 2,500,000,000 ordinary shares of Rs.10 each
Paid-up capital:	Rs.12,522,440,670/-
Board of Directors:	Syed Qamar-uz-Zaman Shah Chairman Mr.Muhammad Zaka Ashraf Director (President ZTBL) Mrs. Nazrat Bashir Director Mr.Tauqir Ahmad Faiq Director Mr.Imam Bux Sheikh Director Dr.Khalid Ahmad Khokhar Director Mr.Muhammad Iftikhar Khan Director Mohmand
Chief Financial Officer:	Mr.Abdul Ghaffar Bhatti
Company Secretary:	Mr. Muazam Ali

ZARAI TARAQIATI BANK LIMITED

SHAREHOLDING OF ZTBL

SR. NO.	NAME OF SHARE HOLDER	NUMBER OF SHARES	Amount (Rs.)
01	Government of Pakistan	1,251,189,067	12,511,890,670
02	Government of Punjab	292,340	2,923,400
03	Government of Sindh	125,545	1,255,450
04	Government of N.W.F.P.	71,740	717,400
05	Government of Balochistan	37,875	378,750
06	Government of Erstwhile East Pakistan	527,500	5,275,000
	Total:-	1,252,244,067	12,522,440,670

HIGHLIGHTS OF ZTBL OPERATIONS

PARTICULARS	Amount (Rs. Million)
A. DISBURSEMENT	
1. TOTAL DISBURSEMENT	77,680
a. Production Loans	61,716
b. Development Loans	15,964
2. TRACTORS FINANCED	
Number	24,596
Amount	9,995
3. TUBEWELLS FINANCED	
Number	1,917
Amount	361
4. SHARE OF SUBSISTENCE FARMERS	52,089
6. SHARE OF SMALL FARMERS (UNDER 25 ACRES)	67,992
7. NUMBER OF BORROWERS SERVED	567,415
B. RECOVERY OPERATIONS	
TOTAL AMOUNT RECOVERED	69,549
C. NETWORK OF OPERATIONS	
1. NUMBER OF ZONES	26
2. NUMBER OF BRANCHES	347
3. NUMBER OF MCOs	1,212

ZARAI TARAQIATI BANK LIMITED

BOARD SUB-COMMITTEES *

A. AUDIT COMMITTEE

- | | | |
|----|-----------------------------------|-----------|
| 1. | Mr. Yawar Zia | Chairman |
| 2. | Mr.Qamar Zaman Chaudhry | Member |
| 3. | Mr.Muhammad Iftikhar Khan Mohmand | Member |
| 4. | Ms.Sughra Imam | Member |
| 5. | Chief Internal Auditor | Secretary |

B. HUMAN RESOURCE MANAGEMENT COMMITTEE

- | | | |
|----|--------------------------|-----------|
| 1. | Mr.Qamar Zaman Chaudhry | Chairman |
| 2. | President, ZTBL | Member |
| 3. | Mr.Sikandar Hayat Jamali | Member |
| 4. | Mr.Imam Bux Sheikh | Member |
| 5. | Ms.Sughra Imam | Member |
| 6. | EVP, Human Resource | Secretary |

C. RISK MANAGEMENT COMMITTEE

- | | | |
|----|-----------------------------------|-----------|
| 1. | Mr.Tauqir Ahmad Faiq | Convener |
| 2. | Mr.Imam Bux Sheikh | Member |
| 3. | Mr.Muhammad Iftikhar Khan Mohmand | Member |
| 4. | SVP, Risk Management | Member |
| 5. | Company Secretary | Secretary |

D. COMMITTEE ON INFORMATION TECHNOLOGY

- | | | |
|----|---------------------------|-----------|
| 1. | Mr.Sikandar Hayat Jamali | Convener |
| 2. | Mr.Imam Bux Sheikh | Member |
| 3. | Dr.Khalid Ahmad Khokhar | Member |
| 4. | Chief Information Officer | Member |
| 5. | EVP (ISD) | Secretary |

* As reconstituted by the Board in its 39th (Emergent) meeting held on 03.09.2008.

II. MANAGEMENT COMMITTEES

A. ASSETS LIABILITIES MANAGEMENT COMMITTEE

- | | | |
|----|-------------------------|------------------|
| 1. | President/CEO | Convener |
| 2. | Chief Financial Officer | Member/Secretary |
| 3. | EVP (Operations) | Member |
| 4. | EVP (Credit) | Member |
| 5. | EVP(Recovery & SAM) | Member |

B. EXECUTIVE COORDINATION COMMITTEE

- | | | |
|----|---|-----------|
| 1. | President/CEO | Convener |
| 2. | Chief Operating Officer | Member |
| 3. | All Members of Senior Management Team/SEVPs | Member |
| 4. | All EVPs/Divisional Heads | Member |
| 5. | Risk Manager | Member |
| 6. | Compliance Officer | Secretary |

C. WRITEOFF REMISSION COMMITTEE

- | | | |
|----|---|----------|
| 1. | President/CEO | Convener |
| 2. | Divisional Head Operations Division | Member |
| 3. | Divisional Head Recovery & SAM Division | Member |
| 4. | Senior Vice President (Recovery) | Member |
| 5. | Senior Vice President (SAM) | Member |



REVIEW OF OPERATIONS

Review of Operations

ZTBL is proud to be the largest financial institution in the rural sector of Pakistan's economy. The Bank continued to operate as the prime financial institution catering to the credit needs of agriculturists for the production, development and modernization of agriculture as well as promotion of non-financial sector.

The Bank is currently passing through the exercise of revamping/restructuring phase so that to serve as a catalyst for the agriculture sector in a more effective and yielding manner aiming at delivering high quality, viable and timely financial and non-financial services to a greater number of clientele so as to increase its outreach on self sustainable basis.

The Bank has been playing an instrumental and proactive role in modernization of agriculture, boosting productivity and enabling growers, particularly the landless poor and small landowners to increase their farm produce and income. ZTBL alone serves about 0.567 million farm families annually and shares around 26.4% of the total institutional credit.

At present the Bank has a network of 26 Zonal Offices and 347 Branches all over the country engaged in catering to the credit needs and providing technical assistance to farming community and rural poor. Since inception, the Bank has disbursed Rs.629.751 billion up to 31.12.2009 which includes financing of 529,369 tractors and 147,871 tube-wells. While meeting the demand for mechanization, attention was also concentrated towards the provision of more credit for livestock, dairy farming, poultry farming and fish farming.

The Bank continuously endeavors to serve its clients with increasing effectiveness and efficiency. In this pursuit, several financial products and delivery mechanisms such as Sada Bahar Scheme, One Window Operation under Supervised Agricultural Credit System, have been introduced over the years.

1. Overall Credit Disbursement

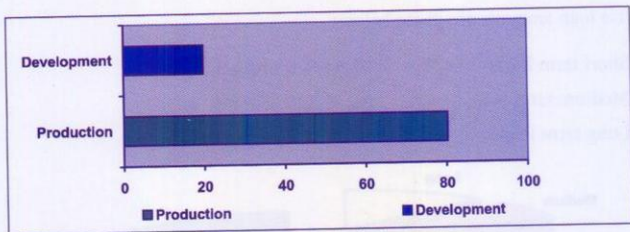
During 2009 the Bank disbursed an overall amount of Rs.77,680 million as compared to Rs.70,698 million in year 2008 showing an increase of 9.9%. The Bank served 567,415 borrowers during the year 2009.

The impact of quantum increase in ZTBL credit is visible from harvest of bumper wheat crop and relatively better rice and cotton crops during the period under review. The Bank managed the funds availability from its own sources through boosting recovery and recycling the recovery proceeds for increased disbursements.

1.1 Purpose-wise Disbursement of Loans

The Bank advanced Rs.61,716 million for production purposes during 2009 against Rs.58,524 million disbursed in 2008 registering a growth of 5.5%. Item-wise distribution of production loans includes Rs.29,624 million for fertilizers, Rs.17,281 million for improved seeds and Rs.11,726 million for pesticides etc. Bank also provided working capital loans for poultry, dairy, fisheries and livestock which were Rs.57 million, Rs.8 million, Rs.5 million and Rs.2 million, respectively. An amount of Rs.3,013 million was disbursed under the head of others. The share of production loans to total agricultural loans was 79.4%. Details are given in statistical table No.2.6 annexed.

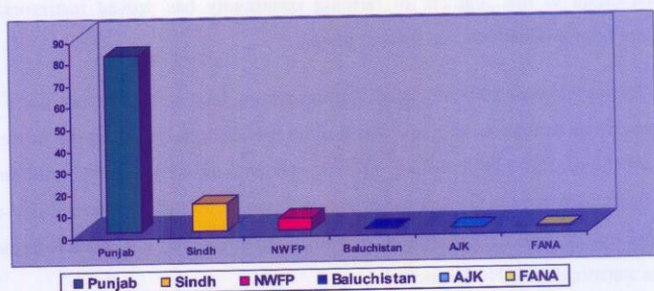
Disbursement for development purposes is amounting to Rs.15,964 million in the year 2009 against Rs.12,174 million disbursed during the previous year showing a growth of 31.1%. Out of this amount, Rs.9,995 million were disbursed for financing of 24,596 tractors, Rs.361 million for installation of 1,917 tubewells, Rs.133 million for farm equipment, Rs.89 million for godowns/cold storages, Rs.9 million for land development and Rs.15 million for orchards. Bank also disbursed loans for the establishment/replenishment of dairy farms, livestock farms and poultry farms amounting to Rs.4,768 million, Rs.548 million and Rs.6 million, respectively. Detail is given in statistical table No.2.6 annexed.



Purpose-wise Disbursement of Loans

1.2 Province-wise Disbursement of Loans

The pattern of disbursement in different areas is almost proportionate to the agriculture potential of respective provinces/areas. Accordingly, during the year 2009, the Bank disbursed Rs.62,794 million (80.8%) in Punjab, Rs.9,757 million (12.6%) in Sindh, Rs.4,354 million (5.6%) in NWFP, Rs.204 million (0.3%) in Baluchistan, Rs.263 million (0.3%) in AJK and Rs.308 million (0.4%) in the Federally Administered Northern Areas. Detail is given in statistical table No.2.2 annexed.



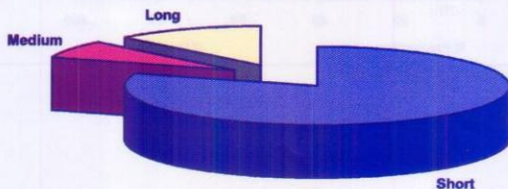
Province-wise disbursement of loans

1.3 Term-wise Loan Disbursement

The Bank provides loans on short, medium and long terms basis. Short term loans are basically production loans having maturity period of up to 18 months. Medium and long term loans are advanced for development purposes and their maturity period spreads over 5 to 8 years, respectively.

Term-wise loan amounts are given below:

Short term loans	Rs.61,716 Million	(79.5%)
Medium term loans	Rs. 5,340 Million	(6.8%)
Long term loans	Rs.10,624 Million	(13.7%)

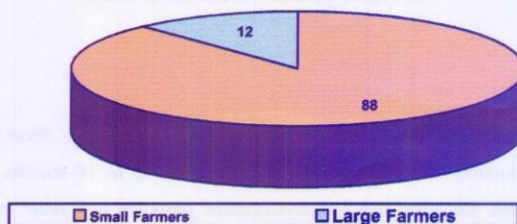


Term-wise loan disbursement

1.4 Loans to Subsistence and Small Farmers

The majority of farmers in Pakistan operate small holdings. The small farmers owning farms up to 25 acres, constitute 94 percent of total farms. The Bank has been channeling bulk of its credit for subsistence and small farmers. Timely provision of adequate credit to this segment of farming community has proved instrumental in increasing farm productivity and income level.

During the year 2009, the small farmers having land up to 25 acres, had a share of 88 percent as an amount of Rs.67,992 million was disbursed to them out of the total disbursement of Rs.77,680 million. Of this, an amount of Rs.52,089 million was channelled to subsistence farmers constituting 67 percent of the total agricultural credit disbursed by the Bank. Year-wise disbursement to small and subsistence farmers is given in statistical table No.1 annexed.



Disbursement to Small Farmers

1.5 Holding-wise Disbursement of Loans

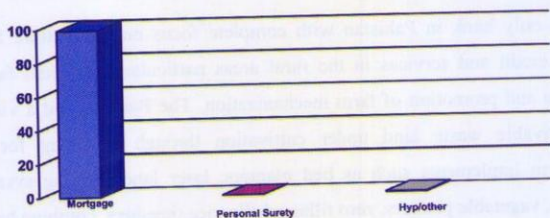
Holding-wise disbursement of loans during 2009 revealed that land-less population received Rs.406 million which was 0.5% of the total disbursement. Loans to land owners/operators under 12.5 acres amounted to Rs.50,508 million representing 65% share in overall disbursement. Farmers owning/operating land between 12.5 and 25 acres received Rs.17,078 million constituting 22% share. It was followed by Rs.6,510 million (8.4%) disbursed to farmers with land holding between 25 and under 50 acres. Remaining credit amounting to Rs.3,178 million (4.1%) was disbursed to land holders operating farms of 50 acres and above. Details are given in statistical table No.2.8 annexed.

1.6 Size-wise Composition of Loans

Composition of credit disbursement by size of loan during the period under review revealed that loans availed up to Rs.25,000 constituted only 0.7% of the total credit, loans between Rs.25001 to Rs.50,000 were 4.2%, loans between Rs.50,001 to 200,000 were 35.5%, between Rs.200,001 to Rs.500,000 constituted 46.7% and above Rs.500,000 constituted 12.9% of the total credit. Details are given in statistical table No.2.7 annexed.

1.7 Security-Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.77,203 million, constituting 99.4%, were secured against pledge/ mortgage of tangible securities. Loans amounting to Rs.117 million being 0.1% were disbursed against personal surety while loans amounting to Rs.360 million being 0.5% were advanced against hypothecation and other securities. Details are given in statistical table No.2.4 annexed.



Security-Wise Disbursement of Loans

1.8 One Window Operation

ZTBL continued its expeditious delivery of credit to farmers with special focus on subsistence and small farmers through One Window Operation. This programme has established its importance by witnessing tremendous strength in timely channeling of production loans to small farmers, which contributed significantly towards increasing farm production.

The programme is conducted by the Bank in coordination with the Provincial Revenue Department and Pakistan Post Office once a week on Monday for Rabi crops during the period from October to January and for Kharif crops from April to September each year. Under "One Window Operation" loans are processed on the spot and sanctioned in the branches within 3 days. An amount of Rs.14,765 million was disbursed under One Window Operation.

1.9 Sada Bahar Scheme

For providing timely input loans for crops and working capital for dairy, poultry and fisheries, the Bank has launched a Sada Bahar Scheme. Assessment for inputs requirements for the whole year is made at the time of first application. The amount so assessed is treated as Revolving Limit provided it is within the security limits. To revolve loans, fresh investigation/appraisal is not necessary up to three years. The Managers are authorized to sanction such loan limits within their loan sanctioning powers and renew the same even if previously it was sanctioned by the higher authority. Under these schemes, an amount of Rs.61,143 million was disbursed during the year 2009.

1.10 Farm Mechanization and Technology Dissemination

ZTBL is the only bank in Pakistan with complete focus on Agriculture Sector for provision of credit and services in the rural areas particularly to small farmers for modernization and promotion of farm mechanization. The Bank played a vital role in bringing cultivable waste land under cultivation through financing for tractors, tubewells, farm implements such as bed planters, laser land leveling system, farm transportation, vegetable planters, zero tillage drills, rice threshers, combine harvesters

for wheat, rice, maize and sunflower etc which directly helped in increasing yield besides improving the efficiency of other farm activities.

At present in Pakistan 922,146 tubewells have been installed which are operating either on diesel or electricity. To reduce the import bill of diesel and to meet the shortage of electricity, ZTBL intends to introduce Solar Energy System as alternate sources of power for running irrigation pumps for lift of water, drying/processing of fruits/vegetables and other similar purposes.

The bank introduced Jetropha and Millettia pinnata planate cultivation programme for alternate source of bio fuel. With the success of this program, it will reduce oil import bill significantly. Similarly bank identified various varieties of olive for introduction of its cultivation. Tunnel technology was introduced among farmers for off-season vegetables to enhance their income. Furthermore, emphasis for cultivation of medicinal plants was also given.

28 model villages were established and latest technologies were introduced like laser land leveling, bio-fertilizers, small Agri. Machinery for saving time and labour etc. Field days at Model Villages were conducted and detailed discussions were made to identify problems faced by the farmers and workout their solutions. For this purpose, various subject specialists were invited to discuss about crops and suggest different steps required for yield maximization.

The economics/feasibilities of inland fish farming, Trout farming, Ostrich farming, Beekeeping, Feed lot/ fattening station, Rearing of heifers (female calves of buffaloes), Animal breeding centre, Sheep and goat farming, Mobile veterinary clinic were also prepared & distributed among the bank's field functionaries and farmers.

2. New Schemes

Brief of the Schemes Introduced During the Year 2009

Crop Loan Insurance Scheme

- After getting clearance from the ZTBL Board insurance arrangements are being made with Adamjee Insurance Company Ltd.
- As per Government/SBP instructions initially Crop Loan Insurance scheme is being launched.

Salient Features

Scope: All branches of the Bank throughout the country.

Premium: Premium will be charged @ 1.3% (inclusive of all taxes and levies) of loan sanctioned for Rabi and Kharif crops separately. Bank will pay the premium for subsistence farmers and will get reimbursement from the Government on half yearly basis.

Maximum loan limit: Rs.500,000 in an individual case.

Sum Insured: Production loan for agreed crops of each season (Rabi & Kharif) for which premium is paid.

Crops Covered: Wheat, Cotton, Sugarcane, Rice & Maize

Perils Covered: Excessive rain/Flood, Drought, Hailstorm, Frost, Locust attack and Insect attack.

Period of Insurance: From the date of sowing/transplantation to completion of harvesting of the insured crop.

Compensation: Sum insured of respective crop will be paid to the policy holder of the calamity declared area.

Crop Maximization Project-II

An agreement was executed between Ministry of Food & Agriculture (CMP-II MINFA) and ZTBL on 06.06.2009 for implementation of Crop Maximization Project-II in which both have agreed to participate in establishment and Operationalization of Revolving Fund.

To implement the decision a new saving scheme under the name and style of "MINFA Revolving Fund Deposit Account" (MDFDA), "MINFA Special Saving Deposit Account (MSSDA) and Member Farmers Saving Account (MSFA) have been exclusively designed for Government's Crop Maximization Project-II (CMP-II M11'JFA).

Name of Project: Special Programme for Food Security and Productivity Enhancement of Small Farmers (Crop Maximization Project-II).

Operational Jurisdiction: All over Pakistan in 28 Districts & 842 Villages.

Sponsoring: Government of Pakistan.

Profit paid on MINFA Special Saving Account: ZTBL will pay profit at minimum rate of 7.5% per annum to be calculated on daily product basis on such balances lying in VOs, MRFDA or MSSDA and said profit will be paid on 6 monthly basis in such respective accounts.

Membership: VOs will raise membership by motivating small farmers having holding upto 20 acres in Punjab, 25 acres in Sind & Baluchistan, 15 acres in NWFP & FATA & 25 acres in AJK & Gilgit-Baltistan.

Share Money: Each VO member will contribute the share money on the basis of size of his land holding @ Rs.250/- per acre per annum for the first five years.

Member Farmer Saving Account: All members will open Saving Account in same branch of the Bank where VOs account is maintained.

Disbursement (Lend Money to its members): VO will lend money to its members for purchase of input for production of crop at 10% handling charges per annum on daily product basis. In case for late repayment by the beneficiary, 12% per annum handling charges will be recovered.

Approval of loan proposal: Loan proposal of VO level will be prepared by VOs Accountant with the assistance of the concerned Agriculture Officer/Stock Assistant and presented them same before committee comprising of President, Secretary of VO and Credit Officer of the Project for approval. On approval check/loan ceiling will be issued along with approval letter for Revolving Fund Special Saving Account maintained by VO at the nearest Bank Branch.

Document Required: While issuing the Cheque/loan ceiling following prescribed document will be obtained by VOs from their borrowing members in consultation with the Bank concerned.

- An undertaking on legal paper for returning the loans to VO in time.
- An other undertaking on legal paper duly registered with Revenue Department for not selling agri-land without NOC from competent authority.
- A Post dated cheque for Saving Account for member farmers.
- "Fard Jamabandi" from Revenue Department
- An attested copy of CNIC

Benazir Tractor Scheme

- In order to bridge the gap between demand and supply position of tractors in the country, the Federal Government has decided to launch Accelerated Agricultural Mechanization for Productivity Enhancement, "Benazir Tractor Scheme" through ZTBL.
- The scheme envisages supply of 10,000 tractors during 2009-10 to the farmers to be selected through computerized balloting for grant of subsidy up to 50% of the cost of the tractor subject to maximum of Rs.200,000 per beneficiary/tractor.

Salient Features

Operational Jurisdiction

Throughout Pakistan including FATA, FANA, AJ&K & Federal Capital Area, Islamabad.

Time Line/Schedule

Applications under the scheme were received from 22nd July, 2009 to 3rd August, 2009. Computerized balloting was held in Islamabad on 12th September, 2009.

Eligibility Criteria

Farmer should own and possess land ;

- Punjab: 5-50 Acres, Sindh &
- Baluchistan: 5-100 Acres
- NWFP/AJK/FATA/FANA & Islamabad 2-50 Acres.
- He/She should not be a defaulter of ZTBL or any other Bank/ Govt. Institution.
- He/She has not received tractor under any subsidy scheme during last 3 years.
- The tractor would be "Non-transferable for One Year" from the date of registration.

Province-wise Quota

- Punjab – 5000, Sindh – 2000, NWFP – 1200, Baluchistan – 850
- AJ&K – 350, FATA – 350, Northern Area – 200 Capital Area - 50

Option of Farmers

The successful farmers could exercise options for purchase of particular makes of tractors (local/imported).

Booking & Delivery of Tractors

- Cash Farmers could deposit difference amount in concerned branch of the bank before issuance of supply order/DD for supply of tractors to them.
- Credit borrowers could arrange sanction of loan after depositing 10% of the price of tractor after reducing subsidy amount of Rs.200,000 and thereafter the supply orders/DD were issued & delivery of tractor was made as per standing instructions of the bank.

Awami Zarai Scheme

All new borrowers of crop production loans will have to avail revolving limit under Awami Zarai Scheme to get inputs through M/S KSSL under kind system. This scheme is optional for existing borrowers of the Bank.

Salient Features

Operational Jurisdiction: All over Pakistan.

Selection of Borrowers: Bank MCO Selects the Borrowers keeping in view the criteria fixed for Sada Bahar Scheme

Delivery Channel: Branch/KSSL/Supplier

Collateral: Tangible Securities

Lease Land Acceptance Criteria: Upto 12.5 acres in all provinces and AJ&K.

However, for farmers of NWFP loans upto Rs.100,000 or for lease land upto 12.5 acres which ever is more.

Documents Required: CNIC Photocopy, LA Form/IB-7 Agreement, Agri. Pass Book & 2 Photographs

Working of Revolving limit: It will be worked out as per crop wise ceilings fixed and revised from time to time.

Maximum Limit: Rs.0.500 million per borrower/party.

Loan Disbursement: Disbursement is made after supply of inputs on the basis of supply order issued in the name of KSSL, receipt of bill & acknowledgement receipt duly signed by the borrower in the branch

Repayment: This scheme is meant for 3 years with yearly renewal/clean up. Rabi crop loans are re-payable on 7th July & Kharif Crop on 7th January each year

Loanable Items: Inputs

Establishment Of Model Villages

- In order to implement the Government's vision to ensure development of Agri. Sector in a phased manner, establishment of one Model Village in each zone of the Bank has been launched. This pilot project is being implemented with the collaboration of Ministry of Food & Agri./Provincial Agri. Departments.

- An exclusive Agri. Officer/Mobile Credit Officer has been posted in each selected Model Village who will be responsible for provision of following services to the inhabitants of the village:-
- Provision of credit facilities for 100% requirements of the farming community.
- Improvement of present/existing production level by introducing latest agri. technologies among the farmers of the area in collaboration with public and private agencies dealing in farm inputs/agri. technologies.
- Agri. Tech. Department Head Office, Islamabad will provide technical guidance to introduce latest area specific Agri. Technologies in the selected villages.
- Arrange adequate inputs i.e. seed, fertilizer, pesticides etc. for crops for the usage of the farmers.
- Extend full support to raise income of the inhabitants from dairy, poultry, livestock and bee farming etc.
- Facilitate the farmers in marketing of their crops/produces on best prevailing market rates.
- Coordinate with Federal Ministry of Food & Agri./Provincial Agri. Departments as well as other institutions involved in agri. development for the well being of farming community of the area.

Crop Productivity Scheme

Objectives:

- To ensure speedy, timely & quality supply of chemical fertilizers at competitive rates to the farmers.
- To ensure proper utilization of loans.
- To ensure marketing of crops at competitive rates to the farmers.
- Effective & intensive monitoring by the Bank.
- Effective & enforceable security

Operational Jurisdiction: Throughout Pakistan

Selection of Borrowers: All farmers who are registered with the Agro-mills and having clear CIB reports are eligible to get crop production loans (for fertilizer), in their individual names against the guarantee of the Agro-mills.

Delivery Channel: Branch/KSSL/Supplier

Collateral: Hypothecation of Crop. Post-dated cheques from Agro-mills. Continuous guarantee by Agro-mills. Personal guarantees of all the Directors.

Documents Required:

- Resolution of the company.
- Certified true copy of certificate of incorporation & certificate of commencement of business in case of Public Limited Company.
- List of registered crop growers of Mills.
- Certified true copy of Memorandum & Article of Association.
- List of sitting Directors.
- Three specimen signatures of authorized signatories.
- Duly audited balance sheet of last 5 years.
- Latest CIB report.

Loanable Items: Fertilizer

Maximum Limit:

- Rs. 20.00 million per Agro-mill.
- Rs. 0.400 Million per borrower/party

Mode of Disbursement: Supply order will be issued in the name of KSSL for supply of fertilizer to individual borrower & payment of the bill would be made after delivery of fertilizer & receipt of bill in the concerned branch.

Repayment Period:

Sugarcane; 50% in equal monthly installment from 31st January to 31st March & remaining 50% in April each year by respective sugar mill out of crop proceeds payable to registered grower.

Oil Seed Crops/Hybrid Corn/Rice; Repayment would be decided keeping in view the growing season, harvesting & processing of crops in consultation with concerned agro-mills.

Rural Development Scheme

Objectives:

To provide credit assistance for dairy, poultry, sheep & goat farming in the rural areas of AJ&K state especially in Earthquake affected areas.

Operational Jurisdiction:

The scheme shall be implemented in the entire area of Azad Jammu & Kashmir through network of ZTBL branches & Azad Kashmir Small Industries Corporation.

Selection of Borrowers & Mark up Policy:

The borrowers will be selected by AJ&K Small Industries Corporation. The loan to the selected borrowers shall be provided by ZTBL @ 9% p.a with 1 % rebate on timely repayment. All the applicable mark up on the loan installments under the scheme will be paid to ZTBL by AJ&K Small Industries Corporation.

Sanction of Loan:

Loan shall be sanctioned by the following authorities as against each:

- | | |
|------------------------|--------------------|
| a) Poultry | b) Dairy/Livestock |
| Manager- Rs.0.250 M. | Rs.0.300 M. |
| Area Chief: Rs.1.000 M | Rs.1.000 M |

Maximum Credit Limit:

Rs.1.000 Million per borrower/party

Repayment/Recovery Period:

- a) Poultry Farming – Within 5 years in half yearly installments commencing one year after 1st disbursement of loan.
- b) For Dairy/Livestock Farming – Within 5 years in half yearly installments commencing six months after 1st disbursement of loan.

3. Recovery Operations

During the year 2009, ZTBL attained an all time record recovery of Bank's dues with the untiring efforts, hard work and devoted involvement of its staff. It recovered Rs.69,549 million as compared to Rs.65,937 million recovered during corresponding period of last year with an increase of Rs.3,612 million showing growth of 5.5%. The prominent features of higher recovery during the year were the effective mobilization of MCOs, daily/ weekly monitoring of recovery by the Branch Managers, Zonal Chiefs and by the Head Office.

The overall recovery rate is 88.8% as against 86% which is 2.8% plus and this level of recovery was achieved despite of the fact that lot of hindrances during the period such as Law and Order situation in NWFP/Baluchistan/FATA/ Northern Areas and other part of the country, low rate of paddy/marketing problems and previous announcements & statements made by the then President and Prime Minister of Pakistan for relief packages for the ZTBL borrowers.

To clean the infected part of loan portfolio and to implement the SBP Prudential Regulations an amount of Rs.3,673 million classified as loss for the last three years have been charged off during the year and declared as SAM loans.

Recovery against SAM/ Charged Off Loans

During Calendar year 2009, (January-December) the bank has been able to recover Rs.4,287 million from SAM loan portfolio. The Bank's continuous recovery efforts to contain addition more fruits and was able to reduce additions and outstanding balance of SAM portfolio which is evident from the table elaborated below:-

	2008	2009	Improvement (Amount)	(Rs. Million) Improvement (%age)
Outstanding balance	36304.135	34982.343	1321.792	4%
Charge-off during the year	5021.043	3672.980	1348.063	26%

Despite worse law & order situation in the country, the Bank performance regarding SAM loans was commendable due to efforts of bank's management/field functionaries.

4. Business Development/Deposit Mobilization

ZTBL is a key player in the agricultural sector of Pakistan for alleviating poverty and ensuring greater outreach for cost effective and timely credit availability to small farmers. To fulfill this commitment to the farming community, ZTBL has opened 6 new branches and 11 Area Offices in Rural Areas, besides 01 Zonal Office at Muzaffarabad (AK) during the year 2009. This achievement of opening of new branches has been warmly welcomed by the Local Farming Community which has resulted in enhancement of business in their areas. Moreover, opening of 05 more new ZTBL branches are in process with State Bank of Pakistan.

Apart from above, Operations Division has successfully accomplished the following landmarks:-

- Achieved Deposit level of over Rs.8.804 billion, against the target of Rs.8.040 billion.
- Conversion from offline system to online computerized Day end processing by all 347 ZTBL branches.
- In house development / implementation of Deposit Management System (DMS) is at final stage, 90% work has been completed with the target to accomplish the task by March 2010 and 225 branches have been completed out of 347 branches.
- Design, Implementation and testing of corporate wide Internal Control as per SBP guidelines.
- Country wide collection of utility bills.
- Attracted business of Hajj and Alhamdulillah, in the first year of handling this business ZTBL has processed 1,800 Hajj applications, with the firm hope that next year we will be achieving more than 10,000 applicants availing full benefits of outreach branches.
- ZTBL has introduced Dynamic Deposit Products such as Rozana Bachat Account, Mustaqbil Mehfooz Deposit Account, Zarai Bachat Account and Zarai Term Deposit Certificates, etc.
- Improved upkeep and re-location of branches is in progress.

5. Internal Audit

Internal Audit Division comprises of three Departments namely; Field Audit Department, Corporate Audit Department & Information System Audit Department and 7 Audit Zones in the field. Audit Division reports to Audit Committee of the Board.

As per approved Audit Plan for the year 2009, the audit of ZTBL branches was conducted on half yearly basis. During the First Half as on 30.06.2009, the audit of 299 branches was conducted out of 342 branches. In order to ensure the completion of audit of all branches, the Audit Division reviewed the audit plan in September, 2009 and re-organized its resources/strategy/planning for completion of audit of all branches by 15th December, 2009. Accordingly, during the 2nd half as on 31.12.2009, the objective/target for 100% audit was achieved and managed audit of 338 branches out of 342. The Audit of 04 branches namely: Parachinar, Sadda, Hangu & Tump could not be conducted due to security operations etc.

In wake of emerging new audit techniques, to build capacity and improve quality of audit, a comprehensive training programme for 152 internal auditors was arranged. Besides, different steps have also been initiated for improving quality of audit.

5.1) Management Audit

The Annual Management Audit of Head Office Departments, Audit Zones and HO Units in the field is conducted in light of applicable rules, regulations, policies and procedures with a view to assess that all the functionaries are performing their duties efficiently and judiciously. During the year 2009, completion of Management Audit of all Departments & its Units was given top priority. Accordingly, as per audit plan, Annual Management audit of 28 Head Office Departments, 7 Audit Zones and 3 HO Units in the field was conducted and achieved 100% target. Further 03 Special Audits and Physical Verification of dead stock articles was also conducted.

5.2) Information Systems Audit

Information Systems Audit Department was established under Internal Audit Division on 18.06.2008. The IS Audit of all five Departments of Information Systems Division

at Head Office and general IT controls audit of field offices of the Bank and operational review of DMS, cFOCS, was also carried out.

6. Compliance Programme

The Compliance Office was elevated to the level of full fledged Compliance Department with three allied units. The department directly reports to the President. Compliance Program in ZTBL aims at ensuring compliance to the Bank's instructions, SBP's Prudential Regulations and relevant provisions of local laws to minimize legal and regulatory risks. Critical areas for compliance are account opening and subsequent management of banker-customer relationship, lending and subsequent portfolio monitoring, besides internal and regulatory reporting. Departments at Head Office are actively pursued to ensure timely submission of data/reports to SBP as per prescribed procedure. During the year 2009 around 430 regular returns were arranged from different Divisions/Departments for onward submission to State Bank of Pakistan/ Ministry of Finance. Compliance Department is also responsible for coordinating annual SBP Inspection of the Bank.

Compliance Review Program (CRP) is operative in 37 selected branches having big loan portfolio. Branch Compliance Officers have been posted in the selected branches to review the Bank operations on daily basis. Exceptions observed during the course of review are reported to the Compliance Department at Head Office in monthly reports for consolidating and submitting a report to the management. Rectification of exceptions is pursued through Branch Compliance Officers as well as through Operations Division. During the year 2009 settlement rate of exceptions reported by BCOs was around 90%. The compliance review is being carried out on the prescribed review sheets on daily, weekly, fortnightly, monthly, quarterly, half yearly and yearly basis which covers all the operations. These review sheets were amended/updated during the year 2009 in consultation with BCOs, Credit Division and Audit Division. Circular letters containing the policy instructions pertaining to Anti Money Laundering (AML) and Customer Due Diligence (CDD) were issued to all the Zonal Chiefs/Branches for ensuring meticulous compliance thereof in its true perspective. CDD/KYC proforma was made part of the Account Opening Form (AOF).

Training was imparted to all the Branch Compliance Officers at ZTBL Staff College through a specially designed course to make them fully conversant with the use of Review Sheets, Prudential Regulations CDD/AML measures. Lectures on Prudential Regulations and CDD/AML measures have also been included in the training courses for Managers/AM(Operations) and MCOs.

7. Human Resource Development

ZTBL is committed to create a working environment of mutual trust & respect in which diversity & inclusion are valued and where employees work for the bank and know what is expected of them in their job, have open and constructive conversation about their performance.

Opportunities have been provided to the staff through Training & Development to improve their career prospects and achieve the bank's goals of developing a quality work force. During the year under review Training & Development Department conducted following courses at Staff College, Islamabad and trained 2006 employees of the Bank and Internship facility was provided to 164 Internees during the year 2009. The detail of training courses is given below:-

Sr. No	Course Title	No. of Courses	No. of participants
1.	Basic Field IT-Training with idms/DMS Concepts	23	513
2.	Idms/DMS course for ZDPM'S (10 Days)	01	25
3.	ZTBL Operations Course for MCO's	26	589
4.	Middle Management Course	10	222
5.	Assistant Managers Operations Courses	3	67
6.	Training Course for Credit Administration Personnel	5	114
7.	Customized 2 week course for AVP's	1	21
8.	Two weeks Customized course for Audit Personnel	2	48
9.	IT- Training for women	3	71
10.	Courses for Officers Grade-II	4	83
11.	Course for Clerical Staff	2	43
12.	Miscellaneous	10	210
	Grand Total	90	2006
	From Other Institutions		116
	Internship		164

8. Risk Management Framework

At the organizational level, ZTBL has established a robust risk management structure which encompasses a broader framework of Committees, Department and Units responsible for each type of risk. An independent Risk Management Department has been established which directly reports to the President. A Board Risk Committee and two separate Committees on Credit Risk and Operational Risk have been set up at Head Office to address issues relating to credit and operations. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control as well as to comply with Basel-II standards. A separate Unit for Basel-II has been established in the Risk Management Department to address issues relating to the Basel-II compliance in a timely manner.

Risk Management Policy and Charter

The Risk Management Policy of the Bank encompasses a broader Risk Management Framework of the Bank. At present Credit Risk is reviewed at the Bank level only. Credit portfolio, disbursement, recovery, NPL & SAM are critically analyzed on a regular basis and risk gaps are reported to the Credit Risk Committee proposing appropriate steps to eliminate or minimize the risk gaps. Similarly in order to analyze issues related to Operational Risk, an Operational Risk Model has been developed which comprises Key Risk Indicators (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures.

1.0 Risk Management

The risk management is a dynamic process of identification, measurement, monitoring & control and reporting risk. ZTBL has set up a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, a Risk Management Department and its units responsible for each category of risk i.e. credit, market and liquidity and operational risks. The Bank's risk management department is independent of the business and operations and directly reports to the President. The Bank has set up a Basel-II Implementation Committee and working groups to implement orderly transition and effective implementation of this Basel-II

Accord in the Bank. The risk policy has already been modified to cater to the guidelines of the Basel-II Accord.

The Bank's systematic and integrated risk management function for each category of risk is as follows:

1.1 Credit Risk

Credit Risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per contractual terms resulting in reduction in portfolio value due to actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank's credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analyzed on quarterly basis and risk-gaps are reported to the Credit Risk Committee for corrective measures.

The Bank pays particular attention to the management of non-performing loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio will be more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk PAR report will also be generated. This will enable the management to take proactive measures for having a quality credit portfolio/products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is a prerequisite for establishment of an effective risk management system therefore the existing MIS of the Bank is undergoing substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

1.2 Market Risk

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments/placements are being placed in held to maturity securities / investments. Correspondingly, the borrowing from SBP is in the process of restructuring. Liquidity position of the Bank is closely monitored by the Asset & Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

1.2.1 Foreign Exchange Risk

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign exchange operations. Foreign transactions, if any, are undertaken through SBP.

1.2.2 Equity Position Risk

The Bank is not exposed to equity position risk as all the shares are held by Federal and Provincial Governments. Its securities are not publicly traded.

1.2.3 Liquidity Risk

ALCO is effectively performing the function of Cash Management at ZTBL. Accordingly, the yields on funds placement have been constantly increasing.

1.3 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 Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of Operational Risk Model is collected and analyzed on quarterly basis.

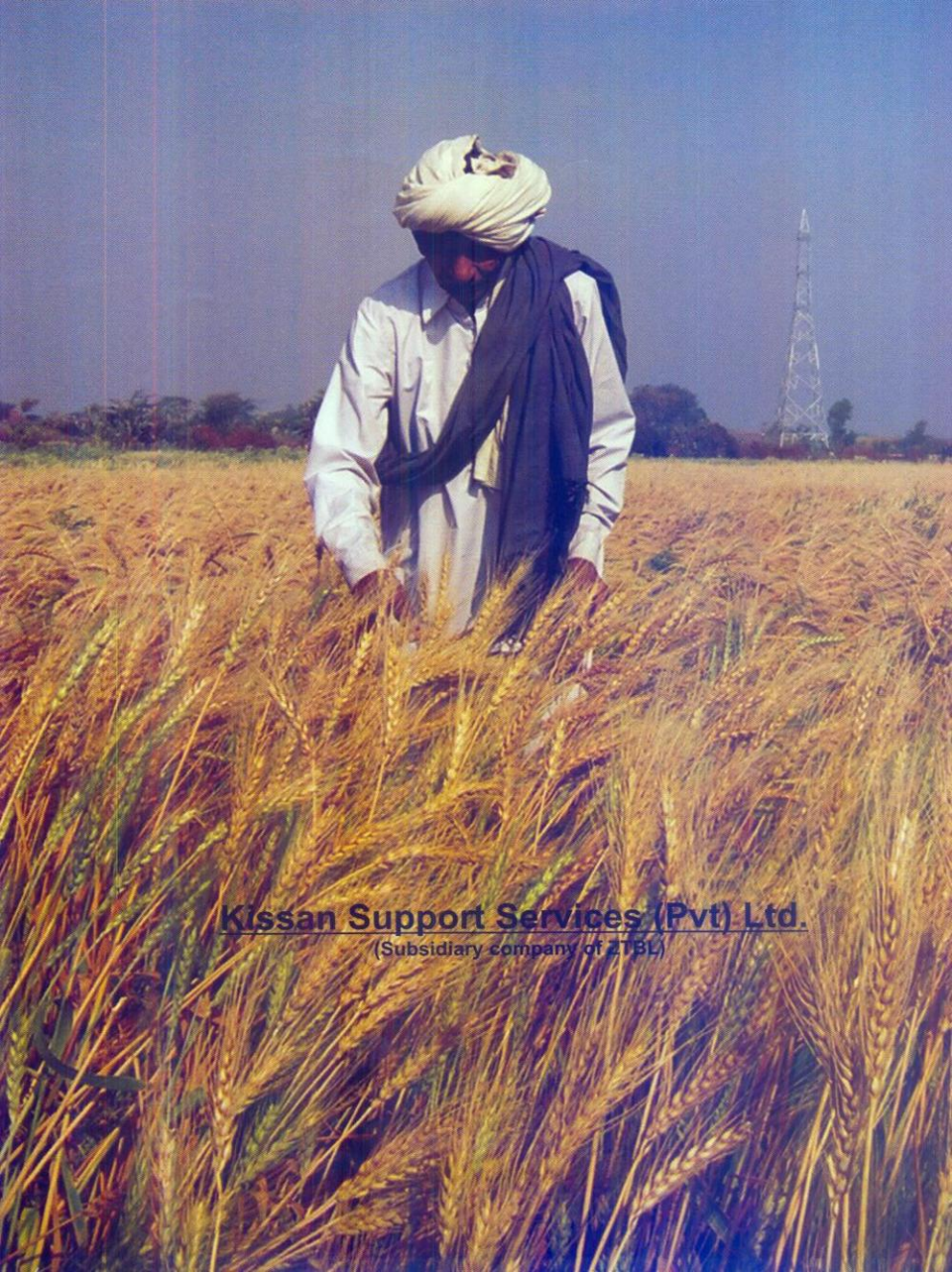
and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the Bank in a phased manner.

With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster Recovery and Business Continuity Plan has also been revised. It includes separate IT Business continuity Plan which caters to IT specific Business Continuity Planning requirements.

8. Information Systems Division

To extend the benefits of modern Information and Communication Technology (ICT) to its esteemed customers, the Bank has continued to acquire and implement ICT related technologies during 2009. Adoption of these technologies has enabled the Bank to improve its operational efficiency by moving from manual to automated banking. Some of the most conspicuous achievements in the field of Information & Communication Technology are as under:

- The Centralized Field Operations Computerization System (CFOCS) has been strengthened with On-line Inter-Branch Transactions.
- Established fail-over site for the continuation of business critical functions in the event of a disruptive situation.
- Successfully rolled out Symantec Endpoint Protection software with a view to improve IT Security.
- Completed the process to establish networking of 347 branches with Head Office to facilitate centralized data processing.
- Implemented decision of Federal Government for delivery of tractors on subsidized rates under Benazir Tractor Scheme through automation of all relevant records to facilitate MINFA for holding computer balloting.
- Successfully computerized ZTBL Hajj operations in association with Ministry of Religious Affairs.
- Trained more than 1,000 Bank employees in IT operations in coordination with Training & Development Department.



Kissan Support Services (Pvt) Ltd.

(Subsidiary company of ZTBL)

Board of Directors
Kissan Support Services (Pvt) Ltd.

1	Mr. Muhammad Zaka Ashraf	Chairman
2	Mr. Anjum Saeed Akhtar	Director
3	Mr. Abdul Ghaffar Bhatti	Director
4	Mr. Javed Akhtar	Director
5	Mr. Sultan Ali Chaudhry	Director
6	Mr. Ashfaq Akhtar	Director
7	Mr. Muhammad Rafiq Bughio	Director
8	Mr. Saeed Akhtar	Company Secretary

Introduction

The Kissan Support Services (Pvt) Limited was incorporated as a Zarai Taraqati Bank Limited's own subsidiary with an Authorized Capital of Rs.100 Million fully subscribed by the Bank. It aims at providing support to ZTBL Management to focus on core banking business and assign non-core activities to its subsidiary. The KSSL is to provide all kind of support services to ZTBL and may undertake any type of non-banking business under the mandate of its Memorandum & Article of Association for the welfare & support of farmers. Few assignments of KSSL are as follows:-

- Recruitment/provision of staff to ZTBL.
- Provision of support services to the farmers.
- Security Services to ZTBL
- Medical Services of ZTBL & KSSL employees.
- Management of ZTBL Sports Activities
- Mail Management Services
- Administration

Review of Human Resource Department

The KSSL HR&A department has provided support Staff (Manpower) to the ZTBL under Staff Regulations-2006. Since the incorporation of KSSL and start of its Operations, KSSL has inducted/recruited around 1751 employees of following categories in ZTBL, Head Office as well as in the field offices:-

Sr.No.	Category of Employees	No. of Employees
1	Officers	30
2	Senior Assistant	77
3	Assistant	206
4	Typist	44
5	Players	62
6	Supervisor	13
7	Armed Guards	39
8	Darbans	582
9	Drivers	348
10	Naib Qasid	278
11	Sweepers	09
12	Mali	27
13	Others	36
Total		1751

2. Medical Services Department

Medical Service Department make available the admissible medical facilities to the Bank's employees and their dependents for their proper health care, to attend routine and emergency patients and refer them to specialists, laboratories.

Modalities/ Future Plan

Establishment of a "State of the Art Model Medical Centre".

Provision of Radiological /Ultrasound facilities.

Up-gradation of existing Pathological Laboratory with state of the art facilities,

Establishment of a Gynecological Unit, Dental Unit, Data Bank for health care users,

Immunization/vaccination against Hepatitis-B.

3. Review of Security Department

Security Unit of KSSL plays important part in spiraling Security of the Bank in the year 2009. To achieve the maximum level of security measures, Security Unit has managed the system of Structural Barriers/Energy Barriers at all the entry points, Installation of Security Surveillance Equipment at Head Office & to the Branches.

Security Unit has provided Security Cover to Foreign/National dignitaries visiting ZTBL Head Office during the year, 2009, carryout Fire Fighting Practice/Emergency Evacuation. Arrangement of Fire Fighting training at National Institute of Fire Fighting, Islamabad, and Manage ZTBL CBA Union Election in August, 2009 smoothly.

4. Review of Sports Department

Sports Department provides free coaching/training to employees & their children in the games of table tennis & Lawn Tennis at ZTBL Sports Club.

ZTBL cricket team participated in Quaid-e-Azam Trophy & RBS cup organized by Pakistan cricket board & finished 5th & 4th respectively on points table in the pool. ZTBL women cricket team won T-Twenty Challenge cup Tournament held at Lahore.

To identify talented Sportsman from the rural areas & arrange their grooming for ZTBL teams.

5. Review of Business Development Department

Kissan Support Services (Pvt.) Limited started provision of fertilizer to ZTBL farmers through M/s Pak Arab Fertilizer Limited, Multan, a leading fertilizer company. The project was initially started as pilot project in the districts of Rahim Yar Khan and Badin. On successful implementation of these pilot projects and positive feed back from farmer community, KSSL went further on the same lines and expanded this facility to the farmers of M. B. Din District in August, 2009. The feed back from farmers, ZTBL and the partner companies coupled with the untiring efforts of KSSL executives made it possible that by December 31, 2009 the provision of fertilizer was operational in 6 ZTBL zones of Pakistan. The brief summary of the performance is given below:

DISTRICT	No. of Bags					Amount (PKR)		
	UREA	CAN	DAP	MAP	Total No. of Bags	PFL	RCL	Total Amount of Fertilizer
BADIN	12,009	33	4,761	-	16,803	8,436,417	8,702,295	17,138,712
R. Y. KHAN	43,252	32,179	21,632	6,493	103,556	51,751,946	39,113,035	90,864,981
BAHAWALPUR	5,429	3,565	3,617	1,995	14,606	6,415,679	6,561,414	12,977,093
M. B. DIN	1,492	996	1,006	22	3,516	1,764,917	1,953,584	3,718,501
MULTAN	6,138	4,224	4,367	1,896	16,625	7,363,135	8,070,501	15,433,636
MIRPUR KHAS	774	306	523	4	1,607	790,760	992,601	1,783,361
TOTAL	69,094	41,303	35,906	10,410	156,713	76,522,854	65,393,430	141,916,284

It is pertinent to mention that KSSL earned profit of Rs 8.1 million from the project having operations in only 6 ZTBL zones of the country during the year 2009.

Provision of Tractors

Government of Pakistan announced Green Tractor Scheme in 2009 and gave a subsidy of Rs. 200,000/- per tractor to the farmer. ZTBL was given the task to implement the project. Kissan Support Services (Pvt.) Limited was once again approached by the bank to facilitate borrowers in getting delivery of the tractors in timely and transparent manner. KSSL approached leading tractor manufacturers and importers and signed MOUs. During the year, KSSL provided 755 tractors to the borrowers.

Future Endeavors

Kissan Support Services (Pvt.) Limited foresees bright prospects in the field of fertilizer, seeds and pesticide business. These ventures will help Kissan Support Services Private Limited become a self sustained entity. KSSL is working to sign agreements with leading national and multinational companies so that farmers may be able to get a wide range of products and for competitive environment

Fertilizer

Agreements with other fertilizer companies have been signed to give farmers a wide range of different products. The companies with which agreements have either been signed or in process of finalization are as follows;

M/s Suraj Fertilizer Limited

M/s Pak American Fertilizer

M/s Engro Fertilizer

Pesticides/Insecticides & Seeds

KSSL has signed agreements with country's leading pesticides, insecticides and seed manufacturing companies such as M/s Ali Akbar Group and M/s Aziz Group (Agri Farm Services) for provision for quality products being provided to ZTBL borrowers.

In order to provide international standard products to the borrowers global firms have also been approached to partner KSSL in its endeavor to make realize dream of a green Pakistan. The companies with which either agreement have been signed or are at last stages are as under;

The company with which agreement has been signed;

M/s Pioneer Seeds

The companies with which negotiations are at last stage;

- i) M/s FMC United
- ii) M/s Bayer Crop Science AG
- iii) M/s Punjab Seed Corporation

6. Review of Administration Department

Administration Department of KSSL perform a broad range of duties for the welfare of the organization which are as follows:-

1. Rest House for Bank Executives
2. Photocopy Services:
3. Mail Management Services:
4. Janitorial Services:
5. Repair and Maintenance Services:

Future Plans

FM Radio station, "KISSAN KI AWAZ" is going to be operational very soon.

Establishment of a "State of the Art Model Medical Centre".

Establishment of Gymnasium for the Bank employees.

FINANCIAL OVERVIEW OF KISSAN SUPPORT SERVICES

BALANCE SHEET

Sr. No.	Particulars	Amount in Million Rs.		Percentage Change
		Dec 31, 2009	Dec 31, 2008	
1	Net assets	3.026	1.335	127%
2	Current assets	184.122	132.518	39%
	Total Assets	187.148	133.853	40
3	Share Capital & Reserves	143.222	117.548	22%
4	Deferred Liability-Gratuity	29.221	14.444	102%
5	Current liabilities	14.705	1.861	690%
	Total Equity & Liabilities	187.148	133.853	140%

PROFIT & LOSS ACCOUNT

Serial	Particulars	Amount in Million Rs.		Percentage Change
		Dec 31, 2009	Dec 31, 2008	
1	Income	350.487	142.031	147%
2	Cost of services	283.598	122.319	132%
3	Gross Profit	66.889	19.712	239%
4	Administrative Expenses	51.68	24.596	110%
5	Other Income	19.826	15.115	31%
6	Operating Profit/ Profit (Loss) before Tax	35.035	10.231	242%
7	Provision for Tax	9.361	4.86	93%
8	Profit/(Loss) after Tax	25.674	5.371	378%
		Amount in Rs.		
9	Earning/Loss per Share	2.57	0.54	376%

REVIEW REPORT TO THE MEMBERS

On statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Zarai Taraqati Bank Limited (the Bank) to comply with Prudential Regulation No. XXIX, Responsibilities of the Board of Directors, issued vide BSD Circular No. 15 dated June 13, 2002.

The responsibility for compliance with the Code of Corporate Governance 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 Code of Corporate Governance and report if it does not. A review is limited primarily to inquire of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further sub-regulation (xiii) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular No. KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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, we report that:

- The policy manual for donation, marketing and transaction or contracts with associated companies and related parties has not yet been prepared.

Except for the matter reported above, 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 respects, as applicable to the Bank for the year ended December 31, 2009 with the best practices contained in the Code of Corporate Governance.

STATEMENT OF COMPLIANCES WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2009

This statement is being presented to comply with Code of Corporate Governance (the Code) issued by the Securities & Exchange Commission of Pakistan and made applicable by the State Bank of Pakistan to banks in June, 2002 to the extent of applicability under Prudential Regulation XXIX and BSD No. 15 dated June 13, 2002, for the purpose of establishing a frame work of good governance, to manage the Bank in compliance with the best practices of corporate governance.

1. The Directors of the Board were nominated by the Government of Pakistan. At present all the Directors except Chief Executive Officer/President of the Bank are non-Executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including Zarai Taraqiati Bank Limited.
3. All the Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. Against vacant positions which arose on the Board in 2009, the vacancies representing GoP were filled in during the period. Filling of remaining positions is remain in the process of approval by the competent authority. However Board has been reconstituted by the Federal Government in mid 2010.
5. Statement of Ethics and Business Practices approved by the Board was got signed from Directors and circulated among all the employees of the Bank for signature.
6. Vision & Mission Statement and Strategic & Financial Plan of ZTBL were approved by the Board. All significant policies have been approved by the Board. The bank has comprehensive framework of written policies and procedures on all major areas of operations. Policies are reviewed on need basis.
7. All the powers of the Board have been duly exercised and Board has taken decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of President.
8. The meetings of the Board were presided over by the Chairman. Written notices of the Board meetings along with working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. To make the Orientation course meaningful, full attendance of the Board was required which could not be managed due to death/resignation/transfer/ replacement of members in 2009. It is being arranged shortly as the Board has now been reconstituted.
10. Positions of Chief Financial Officer and Company Secretary approved by the Board remained intact except Chief Internal Auditor. The Board subsequently approved/ratified the posting of CIA in its 45th meeting held on September 28, 2010. The overall functioning of internal audit is being streamlined/ improved/strengthened under the new set-up.
11. The Board has set-up an effective internal audit function on full time basis.
12. The Director's Report for the year has been prepared in compliance with the requirements of the Code and covers the salient matters required to be disclosed.
13. The financial statements of the Bank were fully endorsed by the President and the Chief Financial Officer before approval of the Board.
14. The Directors, President and Executives do not have any interest in the shares of the Bank.
15. The Bank has complied with all the corporate and financial reporting requirements of the code except publication of half yearly financial statements for the six months period ended June 30, 2009 and quarterly financial statements for the period ended September 30, 2009 and holding Board meetings in 3rd and 4th quarters of 2009 owing to reconstitution of Board/filling of vacant positions which arose due to resignation/death/transfer/replacement of members in 2009 and remained under approval by the competent authority till December 31, 2009. However Board has been reconstituted by the Federal Government in mid 2010.
16. Audit Committee of the Board comprised of four non-executive Directors including Chairman of the Committee. Due to resignation of one member and replacement of other two, minimum representation could not be maintained as reconstitution of Board/filling of vacant positions remained under approval by the competent authority till December 31, 2009. However Board has been reconstituted by the Federal Government in mid 2010 and Audit Committee has accordingly been reconstituted.
17. All the meetings of Audit Committee were held at least once in every quarter except in 4th quarter due to the reasons narrated above. The terms of reference of the Committee are formulated by the Board and advised to the Committee for compliance. Important points arising out of audit are reviewed by the Board Audit Committee and important points requiring Board's attention are brought into their notice.
18. The statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of

the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accounts (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The Statutory Auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All related party transactions entered during the year were at arms length basis and these have been placed before the Audit Committee and the Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

(MUHAMMAD ZAKA ASHRAF)

President/CEO

Date:
Islamabad



UNCONSOLIDATED FINANCIAL STATEMENTS

BDO EBRAHIM & CO.
Chartered Accountants
3rd Floor, Saeed Plaza
22 East, Jinnah Avenue, Blue Area
Islamabad.

HYDER BHIMJI & CO.
Chartered Accountants
2nd Floor, Standard Insurance House
I.I Chundrigar Road
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of **ZARAI TARAQIATI BANK LIMITED** ("the Bank") as at December 31, 2009 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for one hundred branches which have been audited by us 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 purpose of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control and prepare and present the financial statements in conformity with approved accounting standards and the requirements of Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:

- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- ii) the expenditure incurred during the year was for the purpose of the Bank's business; and,
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- e) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2009 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, 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;

Without qualifying our opinion, we draw attention to the following matters:

1. Prudential Regulation "O-3" for Corporate/Commercial Banking requires clearance of all outstanding entries in inter-branches/offices current accounts within, a period of 30 days from the date of recording of transactions. We have, however, noted balances in inter-branches/offices current accounts, reported in note 18 to the financial statements on net basis amounting to Rs.544.312 million-Credit Balance (December 31, 2008: Rs.668.141 million -Credit Balance).
2. We draw attention to notes 15.5 and 22.2.14 to the financial statements, which fully explain the status of State Bank of Pakistan (SBP) debt with respect to markup payable by the Bank. As per the already submitted debt restructuring proposal of SBP, the additional markup amounting to Rs. 2.729 billion has not

been accounted for by the Bank, due to reason stated in the aforesaid notes. Furthermore, the Bank has not repaid any amount in respect of the SBP debts. Outcome of the decision on this matter may require appropriate adjustment in the provision of accrued markup and classification of liability.

3. Subsequent to the balance sheet date, our country has been devastated by unprecedented floods that are stated to have caused significant damage to the agriculture business of the country. As per management, it would be premature to comment on the impact on the Bank as the assessment of damages and rehabilitation measures are under discussion by the relevant stakeholders. This significant uncertainty has not been disclosed in the annexed financial statements

BDO EBRAHIM & CO.
Chartered Accountants

Engagement partner: Abdul Qadeer

Date : September 28, 2010

Place: Islamabad

HYDER BHIMJI & CO.
Chartered Accountants

Engagement partner: Shaikh Mohammad Tanvir

Date : September 29, 2010

Place: Karachi

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009

	Note	2009	2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	2,354,107	1,732,495
Balances with other banks	8	9,536,981	15,881,673
Lendings to financial institutions		-	-
Investments - net	9	7,213,948	5,055,690
Advances - net	10	81,974,021	69,923,497
Operating fixed assets	11	1,070,417	1,142,886
Deferred tax asset - net	12	290,631	-
Other assets - net	13	10,178,772	8,604,549
		112,618,877	102,340,790
LIABILITIES			
Bills payable	14	2,059,979	613,378
Borrowings	15	51,257,213	51,257,213
Deposits and other accounts	16	8,750,892	5,425,259
Sub-ordinated loans	17	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net	12	-	185,557
Other liabilities	18	27,911,794	24,289,347
		93,184,201	84,975,077
NET ASSETS		19,434,676	17,365,713
REPRESENTED BY			
Share capital	19	12,522,441	12,522,441
Reserves	20	1,511,554	1,086,169
Unappropriated profit		4,964,194	3,262,655
		18,998,189	16,871,265
Surplus on revaluation of assets - net of deferred tax	21	436,487	494,448
		19,434,676	17,365,713
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from I to 44 and Annexures I to II form an integral part of these unconsolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
Rupees in '000			
Mark-up / return / interest earned	23	9,055,314	8,470,169
Mark-up / return / interest expensed	24	3,597,576	3,489,411
Net mark-up / interest income		5,457,738	4,980,758
Provision against non-performing loans and advances		2,224,674	1,922,988
Provision for diminution in the value of investment	9.3	-	1,271
Impairment in the value of investment		263	-
Write offs under Government relief packages		2,470	-
Bad debts written off directly		-	-
		2,227,407	1,924,259
Net mark-up / interest income after provisions		3,230,331	3,056,499
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		10,168	4,406
Dividend income		27,986	11,410
Other income	25	6,071,518	5,777,120
Total non mark-up / interest income		6,109,672	5,792,936
		9,340,003	8,849,435
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	5,236,164	4,520,459
Provision against other assets	13.5	53,088	337,061
Provision for stolen fixed assets		-	2,598
Other charges	27	390	912
Total non mark-up / interest expenses		5,289,642	4,861,030
		4,050,361	3,988,405
COMMUTATION TO EMPLOYEES UNDER SR-2005	28	677,821	-
PROFIT BEFORE TAXATION		3,372,540	3,988,405
Taxation - Current		1,667,671	1,387,835
- Prior years		37,491	12,606
- Deferred		(459,546)	(13,325)
	29	1,245,616	1,387,116
PROFIT AFTER TAXATION		2,126,924	2,601,289
Unappropriated profit brought forward		3,262,655	1,834,453
Profit available for appropriation		5,389,579	4,435,742
Basic earnings per share (Rupees)	30	1.698	2.077
Diluted earnings per share (Rupees)	31	1.698	2.077

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these unconsolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		<u>Rupees in '000</u>	
PROFIT AFTER TAXATION		2,126,924	2,601,289
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME TRANSFERRED TO EQUITY		<u>2,126,924</u>	<u>2,601,289</u>

Surplus arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these unconsolidated financial statements.

PRESIDENT	DIRECTOR	DIRECTOR	DIRECTOR
------------------	-----------------	-----------------	-----------------

Note	2009	2008
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,372,540	3,988,405
Rental income	(25,894)	(14,544)
Dividend income	(27,986)	(11,410)
	<u>3,318,660</u>	<u>3,962,451</u>
Adjustments for non-cash charges:		
Depreciation - tangible	209,194	183,850
Amortization - intangible	25,302	18,333
Amortization of deferred income	(71,112)	(81,579)
Provision against non-performing loans and advances	2,224,674	1,922,988
Provision for diminution in the value of investments	-	1,271
Impairment in the value of investment	263	-
Provision for stolen fixed assets	-	2,598
Provision for employees post retirement benefits	326,654	162,736
Provision against other assets	53,088	337,061
Fixed assets - written off	-	682
Write offs under Government relief packages	2,470	-
Provision for employees' compensated absences	242,096	243,528
Gain on sale of operating fixed assets	(1,566)	(19,428)
	<u>3,011,063</u>	<u>2,772,040</u>
	<u>6,329,723</u>	<u>6,734,491</u>
(Increase) / decrease in operating assets:		
Advances-net	(14,277,668)	(10,533,479)
Others assets - net	(1,197,321)	1,069,005
	<u>(15,474,989)</u>	<u>(9,464,474)</u>
Increase in operating liabilities:		
Bills payable	1,446,601	220,652
Deposits and other accounts	3,325,633	1,102,109
Other liabilities (excluding current taxation)	3,110,093	3,727,835
	<u>7,882,327</u>	<u>5,050,596</u>
Staff retirement benefit payments	(420,994)	(379,689)
Income tax paid	(1,699,442)	(372,557)
Net cash flow (used in) / generated from operating activities	<u>(3,383,375)</u>	<u>1,568,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment (held to maturity securities)	(2,233,124)	2,435,895
Rental income received	25,894	14,544
Dividend received	27,986	11,410
Investment in operating fixed assets	(188,105)	(500,406)
Sale proceeds of property and equipment disposed-off	27,644	36,778
Net cash flow (used in) / generated from investing activities	<u>(2,339,705)</u>	<u>1,998,221</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net (decrease) / increase in cash and cash equivalents	(5,723,080)	3,566,588
Cash and cash equivalents at beginning of the year	17,614,168	14,047,580
Cash and cash equivalents at end of the year	<u>11,891,088</u>	<u>17,614,168</u>

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The annexed notes from 1 to 44 and Annexures I to II form an integral part of these unconsolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

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 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 stake holders. Accordingly the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of Agricultural Development Bank of Pakistan 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 was incorporated as a public limited company under the Companies Ordinance, 1984 on October 23, 2002. Consequently, under SRO 823 (1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan 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. 8.9 billion. The Bank's principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 347 (December 31, 2008: 342) branches in Pakistan as at 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 unconsolidated financial statements represents separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary are being issued separately.

2.2 The State Bank of Pakistan (SBP) vide Banking Surveillance Department (BSD) Circular No. 4 dated February 17, 2006 has issued 'Revised forms of Annual Financial Statements'. These unconsolidated financial statements have been presented in accordance with such revised form.

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the approved accounting standards applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions of directives given in the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 shall prevail.

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) through BSD Circular No. 10 dated August 23, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been presented in accordance with the requirements of various circulars issued by SBP.

3.3 Standards, amendments and interpretations not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (accounting periods beginning on or after)
IFRS - 2	Share-based Payments	January 1, 2010
IFRS - 3	Business Combinations	July 1, 2009
IAS - 24	Related Party Disclosures	January 1, 2011
IAS - 27	Consolidated and Separate Financial Statements	July 1, 2009
IAS - 32	Financial Instruments: Presentation-Classification of Rights Issues	February 1, 2010
IFRIC - 14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and other Interaction	January 1, 2011
IFRIC - 15	Agreements for the Construction of Real Estate	October 1, 2009
IFRIC - 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

Benazir Employee Stock Option Scheme was approved by the Cabinet of Government of Pakistan (GoP) on August 5, 2009 effective from August 14, 2009. This scheme empowers employees of State Owned Enterprises (SOEs)/other GoP share holdings through transfer of twelve percent (12%) of the GoP shareholding and a seat on the board. The Bank has also been named in the SOE for the purposes of this scheme. The financial reporting implications of the amendment in IFRS 2 relating to the scheme is under consideration of the Institute of Chartered Accountants of Pakistan.

4 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments (Note 9) and in conformity with the accepted accounting practices of the banking institutions in Pakistan.

These unconsolidated 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires 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 on future events that are believed to be reasonable under these 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:

5.1 Classification of investments

As described in Note 6.5, held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuation in market price while held to maturity are investments where the management has positive intent and ability to hold 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 securities involves management judgment at the time of purchase whether the financial assets are held for trading, held to maturity or available for sale investments.

5.2 Provision against advances

The amount of provision is determined in accordance with the relevant SBP prudential regulations and management's judgment.

5.3 Defined benefit plans

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension and salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

5.4 Operating fixed assets

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

5.5 Depreciation and amortization of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is change in the expected pattern of consumption of the future economic benefits embodied on the assets, the method is changed to reflect the changed pattern. Such change is accounted for as a change in accounting estimate in accordance with the IAS-8, 'Changes in Accounting Estimates and Errors'.

5.6 Taxation

In making the estimates for income taxes 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are set out below.

6.1 Staff retirement benefits

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

Pension scheme

The Bank operates defined benefits funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the 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 actuaries by using 'Projected Unit Credit Method'. Any surplus/deficit arising on actuarial valuation in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets, is recognized as income or expense over the estimated working lives of the employees.

Gratuity scheme

The Bank operates defined benefits funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the 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. Any surplus/deficit arising on actuarial valuation by independent actuaries in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees benefits 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 benefits 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.

Benevolent scheme

The Bank also has two funded defined benefits 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 which is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

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 unconsolidated financial statements for the benefit based on actuarial valuation. Actuarial gains/losses are accounted for in the manner similar to pension scheme.

6.2 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 unconsolidated 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 Project Unit Credit method.

6.3 Cash and cash equivalents

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

6.4 Advances

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery while advances are charged off in accordance with the Prudential Regulations issued by the SBP.

6.5 Investment

The Bank classifies its investments as follows:

Held-for-Trading

These are securities acquired principally for the purpose of generating profits from short term fluctuations in market price.

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 subsidiaries which do not fall under the 'Held-for-Trading' and 'Held to-Maturity' categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity, are valued at fair value. Investments classified as held to maturity are carried at amortised cost. The surplus/deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Investments in un quoted securities are carried at lower of cost and break-up value less impairment loss, if any.

In case of held to maturity securities, the difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

Investments in subsidiary company is carried at cost less impairment, if any. Provision is made for permanent impairment in value, if any.

Gains or losses on disposals of investments are dealt with through profit and loss account in the year in which they arise.

6.6 Operating fixed assets and depreciation/amortization

Property and equipment except free hold land and capital work in progress is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Free hold land and capital work in progress is stated at cost.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11. Depreciation is charged on reducing balance method except for vehicles, computer equipment and lease hold 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 balance sheet 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 profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognised 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.

6.7 Intangible Assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised for the proportionate period for which the asset remains in use, using the straight line method, whereby the costs of the intangible assets are amortised over its useful life over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

6.8 Impairment

The carrying value of assets are reviewed at each balance sheet 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, 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 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.

6.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rate after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments where 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 balance sheet 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.

6.10 Borrowings / Deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

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

6.11 Revenue recognition

Markup/interest on advances and returns on investments are recognized on an accrual basis except markup/interest on classified advances which is recognized on a receipt basis, in accordance with the prudential regulations issued by the SBP.

Commission income is recognized when earned.

Profit/(loss) on sale of investments is credited/charged to profit and loss account currently.

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

Rental income is accounted for on accrual basis.

6.12 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 balance sheet date and are adjusted to reflect current best estimate.

6.13 Foreign currencies

Transaction in foreign currencies are translated to Rupees at the foreign currency rate prevailing on the transaction date.

6.14 Financial assets and financial liabilities

All the financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

6.15 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the unconsolidated 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.

6.16 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.

6.17 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 period / 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. There were no convertible dilutive potential ordinary shares in issue at December 31, 2009.

7	CASH AND BALANCES WITH TREASURY BANKS	Note	2009	2008
			Rupees '000	
	Local Currency			
	In hand		489,936	517,907
	Prize bonds		925	616
	In current accounts with:			
	State Bank of Pakistan	7.1	1,863,244	1,213,970
	National Bank of Pakistan		2	2
			<u>2,354,107</u>	<u>1,732,495</u>

7.1 This represents cash reserves at the rate of 5% of the Bank's demand liabilities and deposits with maturity upto one year in Pakistan, at nil return. Cash reserve is required to be maintained with State Bank of Pakistan under section 22 of Banking Companies Ordinance, 1962 and Banking Surveillance Department Circular No. 25 dated October 17, 2008.

8 BALANCES WITH OTHER BANKS

In Pakistan in local currency:

In current accounts

In deposit accounts

		25,111	36,826
8.1		<u>9,511,870</u>	<u>15,844,847</u>
		<u>9,536,981</u>	<u>15,881,673</u>

8.1 These carry mark-up ranging from 5.00% to 15.25% per annum (2008: 5.00% to 21.5% per annum)

9 INVESTMENTS - NET

9.1 Investment by types

Note	2009			2008				
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total		
	Rupees in '000							
	Available-for-Sale securities							
	Listed companies							
9.5	90,031	-	90,031	90,294	-	90,294		
	Un-listed companies							
9.6.4	10,523	-	10,523	10,523	-	10,523		
	100,554	-	100,554	100,817	-	100,817		
	Held-to-Maturity securities							
	Market Treasury Bills							
9.4	5,233,735	-	5,233,735	3,244,454	-	3,244,454		
	Pakistan Investment Bonds							
9.4	1,004,944	2,637	1,007,581	1,044,645	2,743	1,047,388		
	Certificates of Investment							
9.7	283,650	-	283,650	-	-	-		
	6,522,329	2,637	6,524,966	4,289,099	2,743	4,291,842		
	Investment in subsidiary							
	Kissan Support Services (Pvt.) *							
	Limited (KSSL)							
	100,000	-	100,000	100,000	-	100,000		
	Total investments		6,722,883	2,637	6,725,520	4,489,916	2,743	4,492,659
	Provision for diminution in value of investments							
9.3	(11,108)	-	(11,108)	(11,108)	-	(11,108)		
	Investments (Net of provisions)		6,711,775	2,637	6,714,412	4,478,808	2,743	4,481,551
	Surplus on revaluation of Available-for-Sale securities							
21	499,536	-	499,536	574,139	-	574,139		
	Total investments at revalued amount - net of provision		7,211,311	2,637	7,213,948	5,052,947	2,743	5,055,690

* KSSL is a wholly owned subsidiary of the Bank and has been incorporated in Pakistan as a private limited company on September 19, 2005. KSSL provides multiple services to the Bank including security and janitorial services.

9.2 Investment by segments

Federal government securities

Market Treasury Bills	9.4	5,233,735	3,244,454
Pakistan Investment Bonds	9.4	1,007,581	1,047,388
Federal Investment Bonds		-	-
		6,241,316	4,291,842

Fully paid up ordinary shares:

Listed companies	9.5	90,031	90,294
Un-listed companies	9.6	10,523	10,523
		100,554	100,817

Certificates of investment

9.7 283,650 -

Investment in wholly owned Subsidiary Company
(10,000 ordinary shares of Rs. 10 each)

40 100,000 100,000

Total investment at cost

6,725,520 4,492,659

Provision for diminution in value of investments

9.3 (11,108) (11,108)

Investments (net of provisions)

6,714,412 4,481,551

Surplus on revaluation of available-for-sale securities

21 499,536 574,139

Total investments at market value

7,213,948 5,055,690

9.3 Particulars of provision

Opening balance	11,108	9,837
Charge for the year	-	1,271
Reversals	-	-
Closing balance	11,108	11,108

9.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities-(listed securities)	585	585
Available-for-sale securities-(un-listed securities)	10,523	10,523

9.4 Principal terms of investments in federal government securities

Name of investment	Maturity	Note	Principal payment	Rate %	Coupon payment
Market Treasury Bills	January 2010 to April 2010	9.4.1	On maturity	11.95 to 13.30	at maturity
Pakistan Investment Bonds	August 2011 to December 2011	9.4.1	On maturity	12 to 13	semi-annually

9.4.1 Market treasury bills and Pakistan Investment Bonds are held by the Bank which also covers statutory liquidity reserve requirements calculated on the basis of domestic demand and time liabilities.

9.4.2 Pakistan Investment Bonds having amortised cost of Rs. 2.637 million (December 31, 2008: Rs. 2.743 million) are pledged/lodged with SBP as security for Telegraphic Transfer/Demand Draft discounting facility obtained for branches.

9.5 Particulars of investments held in listed companies

No. of ordinary shares		Paid up value/share Rupees	Name of companies	2009	2008
2009	2008			Rupees in '000	
430,551	430,551	10	Nestle Milkpak Limited	89,296	89,296
450,000	450,000	10	Uqab Breeding Farm Limited		
150,000	150,000	10	9.5.2 Mubarik Dairies Limited	585	585
			Dadabhoy Agricultural Leasing Limited	150	413
300,000	300,000	10	9.5.1	-	-
				90,031	90,294

9.5.1 Dadabhoy Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rs. 2.50 against its face value of Rs. 10 per share.

9.5.2 Uqab Breeding Farm Limited is under suspension since April 9, 2007. At the date of suspension, its market value per share was nil against its face value of Rs. 10 per share.

9.5.3 Market value of listed investment is Rs. 536,599 million.

9.6 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value	Based on audited financial statements as at	Name of chief executive/ managing director
Rupees in '000					
National Commodity Exchange Limited	9.09%	909,091	(12,389)	June 30, 2009	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited-net 9.6.1 & 9.6.3	33.33%	1,000,000	-	-	Mr. M. Asad Khan
Pakistan Agricultural Storage and Services Corporation Limited-net	8.33%	2,500	52,383	March 31, 2009	Maj.Gen.(R) F.A.Khan
Larkana Sugar Mills Limited-net 9.6.2 & 9.6.3	6.36%	141,970	-	-	Mr. Anwar Majeed

9.6.1 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan and the case has been referred to National Accountability Bureau.

9.6.2 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

9.6.3 Investment in Saudi Pak Kalabagh Livestock Limited and Larkana Sugar Mills Limited are stated at book value due to non-availability of required information for the calculation of breakup value. Moreover, these investments are fully provided for in these financial statements.

9.6.4 Carrying value of un-listed investments is Rs. 10,523 million and face value of investment in un-listed securities is Rs. 35,788 million.

9.7 Particulars of Certificates of Investments

Name of investee	Credit Rating	Maturity	Principal payment	Rate % per annum	Coupon payment
Pak Libya Holding Company (Private) Limited	AA-/A1+	January 2010	% on maturity	12.75	at maturity

9.8 Quality of Available-for-Sale securities

	2009		2008	
	Amount Rupees in '000	Credit Rating	Amount Rupees in '000	Credit Rating
Nestle Milk Pak Limited	89,296	Unrated	89,296	Unrated
Uqab Breeding Farm Limited	585	Unrated	585	Unrated
Mubarik Dairies Limited	150	Unrated	413	Unrated
National Commodity Exchange Limited	10,523	Unrated	10,523	Unrated
	<u>100,554</u>		<u>100,817</u>	

10 ADVANCES - NET

Loans, cash credits, running finances, etc.
In Pakistan - gross

Less:

Provision for non-performing advances
Provision for advances to employees

Advances-net of provision

Note
2009
2008
Rupees in '000

10.1	89,396,507	77,770,248
10.2	(7,401,719)	(7,806,237)
	(20,767)	(40,514)
	(7,422,486)	(7,846,751)
	<u>81,974,021</u>	<u>69,923,497</u>

10.1 Particulars of advances (Gross)

10.1.1 In local currency

10.1.2 Short term

Long term

	<u>89,396,507</u>	<u>77,770,248</u>
	59,439,043	57,405,793
	29,957,464	20,364,455
	<u>89,396,507</u>	<u>77,770,248</u>

10.2 Advances include Rs. 14,086.126 million (December 31, 2008: Rs. 12,985.615 million) which have been placed under non-performing status as detailed below:

Category of classification	2009			2008		
	Rupees in '000			Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other Assets Especially Mentioned	7,345,153	-	-	6,039,362	-	-
Substandard	2,037,036	407,404	407,404	1,666,295	333,255	333,255
Doubtful	1,419,238	709,616	709,616	1,613,945	806,969	806,969
Loss	3,284,699	3,284,699	3,284,699	3,666,013	3,666,013	3,666,013
	14,086,126	4,401,719	4,401,719	12,985,615	4,806,237	4,806,237
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	14,086,126	4,401,719	7,401,719	12,985,615	4,806,237	7,806,237

10.3 Particulars of provision against non-performing advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	4,806,237	3,000,000	7,806,237	6,221,928	3,000,000	9,221,928
Charge for the year	4,489,682	-	4,489,682	4,927,766	-	4,927,766
Reversals	(2,245,262)	-	(2,245,262)	(3,039,800)	-	(3,039,800)
Amounts written off	10.4	-	-	-	-	-
Amounts charge off	10.5	(2,648,938)	(2,648,938)	(3,303,657)	-	(3,303,657)
Closing balance	4,401,719	3,000,000	7,401,719	4,806,237	3,000,000	7,806,237

10.3.1 Particulars of provision against non-performing advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	4,401,719	3,000,000	7,401,719	4,806,237	3,000,000	7,806,237

10.4 Particulars of write offs

10.4.1 Against provisions

	Note	2009	2008
		Rupees in '000	
Write offs of Rs 500,000 and above	10.6	-	-
Write offs of below Rs 500,000		-	-

10.5 Particulars of Charge Offs

10.5.1 Against provisions

	Note	2009	2008
		Rupees in '000	
Charge offs of Rs 500,000 and above		-	-
Charge offs of below Rs 500,000	10.7	2,648,938	3,303,657

10.6 Details of write offs of Rs 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 have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended December 31, 2009 no write-off or any other financial relief of five hundred thousand rupees or above was allowed to any person(s).

10.7 Particulars of charge off

In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2009 was Rs 34,982 million (Rs. 36,304 million as at December 31, 2008) with an addition of Rs. 2,649 million (Rs. 3,304 million for the year ended December 31, 2008) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand in respect of general loan and project loan are given at Annexure-I and II respectively.

10.8 Particulars of loans and advances**To directors, executives and officers**

Debts due by the directors, executives and officers of the bank or any of them either severally or jointly with other person.

	2009	2008
	Rupees in '000	
Balance at the beginning of year	2,015,442	2,001,079
Loans granted during the year	888,471	735,501
	<u>2,903,913</u>	<u>2,736,580</u>
Repayments	(481,606)	(721,138)
Balance at the end of year	<u>2,422,307</u>	<u>2,015,442</u>

To associated companies

Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members

	Note	2009	2008
		Rupees in '000	
Balance at the beginning of year		-	-
Repayments/write offs		-	-
Balance at the end of year		<u>-</u>	<u>-</u>

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	4,637	-
Property and equipment	11.2	1,031,761	1,083,565
Intangible assets	11.3	34,019	59,321
		<u>1,070,417</u>	<u>1,142,886</u>

11.1 Capital work-in-progress

Consultancy Charges	4,368	-
Others	269	-
	<u>4,637</u>	<u>-</u>

Particulars	Book value at	Additions	C O S T				Provision for	Provision for	Book value at	Rate of
	January 1, 2009		(Deletions)/ adjustments	Provision for stolen asset	Charge for the year	(Deletions)/ adjustments			Provision for stolen asset	
Rupees in '000										
Free hold land	170,961	-	-	-	-	-	-	-	170,961	
Lease hold land	8,252	-	-	(398)	-	-	-	7,854	Lease terms for 33 to 99 years	
Building on free hold land	101,279	-	-	(5,064)	-	-	-	96,215	5%	
Building on leasehold land	224,592	4,709	-	(12,939)	-	-	-	216,361	5%	
Building on leasehold land - ADB	20,580	-	-	(1,029)	-	-	-	19,551	5%	
Furniture and fixtures	37,910	26,371	(2,862)	(5,660)	-	-	-	56,617	100%/20%	
Computer, office and other equipments	74,121	72,966	6,824	(40,380)	-	-	-	119,530	20/33.33%	
Computer, office and other equipments - ADB	111,162	-	(12,992)	(45,047)	-	-	-	56,454	20/33.33%	
Vehicles	334,708	82,020	(36,601)	(98,677)	(3,212)	(8,365)	-	288,218	20%	
2009	1,083,565	186,066	(45,631)	(3,212)	(209,194)	19,553	615	1,031,761		

Particulars	C O S T			A M O R T I Z A T I O N				Book value at December 31, 2009	Rate of Amortization
	At January 1, 2009	Additions	At December 31, 2009	At January 1, 2009	Charge for the year	At December 31, 2009	At December 31, 2009		
Computer software	799	-	799	241	266	507	292	33.33%	
Computer software - ADB	80,500	-	80,500	21,737	25,036	46,773	33,727	33.33%	
2009	81,299	-	81,299	21,978	25,302	47,280	34,019		
				Rupees in '000					
Computer software	5,543	649	799	3,645	213	241	558	33.33%	
Computer software - ADB	-	75,107	80,500	-	18,120	3,617	58,763	33.33%	
2008	5,543	75,756	81,299	3,645	18,333	-	59,321		
				Rupees in '000					
Carrying amount of temporarily idle property			29,534		29,534				

11.5 The title documents of freehold land amounting to Rs. 88.678 million and leasehold land amounting to Rs. 5.765 million are still in the name of Agricultural Development Bank of Pakistan.

11.6 The lease tenure of leasehold lands amounting to Rs. 3.450 million have expired and are not yet renewed.

11.7 During the year ended December 31, 2009, no asset has been disposed off, other than to related parties whose original cost or the book value exceeded one million and two hundred fifty thousand rupees respectively, whichever is lower.

11.8 The information relating to the disposal of asset to the related parties is disclosed as under:

List of vehicles disposed off to the related parties during the year

Sr. No.	Particular of Assets	Purchase price	Accumulated depreciation	Book Value	Sale Proceed	Gain/(loss) on sale	Particulars of Purchaser
Mode of disposal - Car Loan Depreciation Policy (CLDP)							
1	KH-450, Toyota Corrolla XLI	825,000	372,632	452,368	452,368	-	Riaz Mehmood Qureshi, EVP
2	KX-781, Toyota Corrolla XLI	555,000	243,921	311,079	311,079	-	Shafqat Ahmed, VP
3	KH-414, Toyota Corrolla XLI	615,000	350,466	264,534	264,534	-	Akbar Ahmed Khalid, SVP
4	KJ-295, Toyota Corrolla GLI	879,000	472,485	406,515	406,515	-	M.Tasneem, SEVP
5	KU-854, Suzuki Cultus VXR	555,000	305,935	249,065	249,065	-	Muhammad Ramzan, SVP
6	KK-803, Honda City	555,000	318,403	236,597	236,597	-	Farrukh Abbas, SVP
7	KH-581, Suzuki Liana	615,000	372,033	242,967	242,967	-	Mureed Kazim Shah, SVP
8	KU-513, Suzuki Cultus VXL	615,000	336,649	278,351	278,351	-	M.Imtiaz Malik, SVP
9	KK-801, Honda City	555,000	318,403	236,597	236,597	-	Mehmood Karim Qureshi, SVP
10	KF-924, Honda Civic VTI	555,000	331,480	223,520	223,520	-	M.Sohail Farooq, SVP
11	KH-271, Suzuki Liana	555,000	355,200	199,800	199,800	-	A.D.Abid, SVP
12	KH-154, Suzuki Cultus VXL	615,000	398,318	216,682	216,682	-	Tariq Rashool, SVP®
13	MS-162, Toyota Corrolla XLI	585,000	217,331	367,669	367,669	-	Saleem Akhtar Butt, VP®
14	KV-149, Suzuki Cultus VXR	595,000	362,711	232,289	232,289	-	Javed Ali Qureshi, SVP®
15	KU-416, Suzuki Cultus VXL	555,000	354,287	200,713	200,713	-	Akhtas Masood, SVP®
16	NB-643, Toyota Corrolla XLI	585,489	175,807	409,682	409,682	-	Wajid Ali Shah, VP
17	KK-802, Honda City	555,000	355,504	199,496	199,496	-	Majid Mehmood, SVP
18	KX-168, Toyota Corrolla XLI	555,000	327,222	227,778	227,778	-	Ikram-ul-Haq, SVP
19	A-0247, Suzuki Cultus VXL	555,000	317,795	237,205	237,205	-	Waliullah Bhutto, SVP
20	KK-520, Suzuki Liana	555,000	346,077	208,923	208,923	-	Khalid Mehmood, SVP
		12,034,489	6,632,659	5,401,830	5,401,830	-	

12 DEFERRED TAX ASSET/(LIABILITY) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

Taxable timing differences on;

Accelerated tax depreciation		(112,068)	(105,866)
Surplus on revaluation of assets	21	<u>(63,049)</u>	<u>(79,691)</u>
		(175,117)	(185,557)

Deductible timing differences on;

Provision against non-performing loans and advances		465,748	-
		<u>290,631</u>	<u>(185,557)</u>

13 OTHER ASSETS - NET

Income/mark-up accrued on deposits in local currency		203,470	190,972
Income/mark up accrued on held to maturity securities		241,389	196,747
Accrued interest/markup on advances *		3,467,504	2,939,300
Markup free loan to KSSL		15,000	-
Stationery and stamps on hand		33,667	22,764
Amount recoverable from Federal Government	13.1	178,728	-
Tax recoverable	22.2.4	391,751	382,755
Non banking assets acquired in satisfaction of claims	13.2	357,801	352,417
Receivable from defined benefit plans	13.3	5,477,019	4,747,116
Stock of farm machinery		13,146	13,163
Advances against salary and expenses		7,357	5,601
Deposits		1,768	1,767
Advances and other prepayments		204,731	114,229
Others	13.4	<u>16,064</u>	<u>16,225</u>
		10,609,395	8,983,056
Less: Provision held against other assets	13.5	<u>(430,623)</u>	<u>(378,507)</u>
Other assets (net of provisions)		<u>10,178,772</u>	<u>8,604,549</u>

* This does not includes Rs. 2,251.827 million (2008: Rs. 2,212.018 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.

13.1 This represents amount recoverable from Federal Government on account of crop loan insurance premium and subsidy on Benazir Tractor Scheme.

13.2 Market value of non-banking assets acquired in satisfaction of claims is Rs. 626.546 million (2008: Rs. 631.890 million).

	Note	2009	2008
		Rupees in '000	
13.3 Receivable from defined benefit plans			
Pension scheme	35.1.5	4,050,684	3,002,143
Benevolent scheme-officers/executives	35.2.5	303,138	247,497
Benevolent scheme-clerical/non-clerical	35.3.5	82,461	42,588
Gratuity scheme-Staff Regulations 1975	35.4.1.5	1,040,736	1,454,888
	13.3.1	<u>5,477,019</u>	<u>4,747,116</u>

13.3.1 It represents assets recognized by the Bank as required by International Accounting Standard-19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuaries.

	Note	2009	2008
		Rupees in '000	
13.4 Others			
Defence saving certificates		3	3
Advance for purchase of machinery/goods in transit		17	17
Legal charges recoverable on suits filed against loan defaulters		16,044	16,205
		<u>16,064</u>	<u>16,225</u>

13.5 Provision held against other assets			
Opening balance		378,507	2,149,127
Charge for the year		53,088	337,061
Amount written off	13.5.1	<u>(972)</u>	<u>(2,107,681)</u>
Closing balance		<u>430,623</u>	<u>378,507</u>

13.5.1 The Bank announced Staff Regulation-2005 under which 100% commutation were paid to those who opted for SR-2005. ADB vide its Aide-Memoire 13-March 29, 2006 supported the introduction of SR-2005 and use of the remaining loan proceeds from the second tranche for this purpose on the GoP confirmation with regard to the use of remaining second tranche programme loan proceeds for the implementation of the SR-2005.

As the credit line has been expired on June 30, 2008 therefore commutation paid to employees under SR - 2005 and receivable from Federal Government against GHSS was written off against provision made for the purpose.

14	BILLS PAYABLE			
	In Pakistan		2,059,979	613,378
15	BORROWINGS			
	In Pakistan	15.1	51,257,213	51,257,213
15.1	Particulars of borrowings with respect to currencies			
	In local currency	15.2	51,257,213	51,257,213
15.2	Details of borrowings from financial institutions - secured			
	Borrowing from State Bank of Pakistan			
	Agricultural loans	15.3 & 15.5	50,174,089	50,174,089
	Agri-project loans	15.4 & 15.5	1,083,124	1,083,124
			51,257,213	51,257,213
15.3	As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rs. 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rs. 48.597 billion are based on profit and loss sharing subject to maximum share of profit to SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of Government of Pakistan (GoP).			
15.4	These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP.			
15.5	As a part of restructuring process the Bank in the year 2003 submitted a proposal to the SBP for restructuring of the total debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years. SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 agreed with proposed terms except the proposed capping of markup rate which was suggested to be fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year. Due to the disagreement on the issue of terms of mark up this proposal could not be implemented. Therefore, mark up/interest on above debt is being charged to unconsolidated profit and loss account as per original terms of agreement.			
	In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank the matter was discussed in the meeting held on January 16, 2008 between the representatives of Ministry of Finance (MoF), the Bank and the State Bank of Pakistan and also in meetings held thereafter, it was resolved that SBP in consultation with the Bank and MoF shall firm up proposal regarding SBP's debt on priority basis. Accordingly, SBP submitted a proposal pertaining to ZTBL debt restructuring vide letter No. DG/29/08 dated November 8, 2008.			
	In this regard MoF vide their letter No. F.1(5)1F-1/2007-1217 dated September 28, 2009 has advised that Finance Division, SBP and ZTBL will work out a revised proposal to rationalize debt structure of the ZTBL. As per GoP directive, State Bank of Pakistan has presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated October 27, 2009. However, ZTBL has requested MoF vide its letter No. 2932 dated November 20, 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated April 08, 2010 that agreed upon SBP debt restructuring proposal dated November 08, 2008 may be implemented.			

16 DEPOSITS AND OTHER ACCOUNTS

Customers - local currency

Fixed deposits		475,733	290,441
Saving deposits	16.1	2,842,757	620,690
Current accounts - remunerative		195,045	214,827
Current accounts - non-remunerative	16.2	5,200,839	4,244,930
Others		36,518	54,371
		<u>8,750,892</u>	<u>5,425,259</u>

16.1 This includes Rs. 32.009 million (2008: Nil) as deposit of Kissan Support Services (Pvt.) Limited, wholly owned subsidiary of the Bank.

16.2 This includes Rs. 0.238 million (2008: Rs. 0.089 million) as deposit of Kissan Support Services (Pvt.) Limited, wholly owned subsidiary of the Bank.

17 SUB-ORDINATED LOAN

As per restructuring plan of the Bank approved by the ECC of the Cabinet, SBP's equity holding of Rs. 3.204 billion was converted into subordinated loan on terms to be agreed with SBP. Accordingly, the Bank has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years. As explained in Note 15.5, this proposal could not be implemented and a fresh proposal from SBP is in the process of consideration for finalization.

In the meantime, mark up on sub-ordinated debt is being charged at weighted average yield of Government Treasury Bills of 12 months maturity on floating basis every year.

18 OTHER LIABILITIES

Mark-up payable in local currency		19,535,500	16,096,917
Accrued expenses		56,525	62,400
Taxation (provisions less payments)	see note 22	2,067,918	2,053,202
Branch adjustment		544,312	668,141
Payable to defined benefit plans	18.1	69,131	108,596
Payable to Ministry of Food Agriculture and Livestock	18.2	176,100	177,567
Profit payable on deposits and other accounts		60,081	32,224
Net liabilities relating to Bangladesh	18.3	189	189
Provision for employees' post retirement medical benefits	35.5.5	3,812,486	3,503,577
Provision for employees' compensated absences	35.6	1,194,349	952,253
Payable to subsidiary company	40	2,713	2,739
Security deposits		20,905	210,442
Deferred income	18.4	136,000	207,112
Others	18.5	235,585	213,988
		<u>27,911,794</u>	<u>24,289,347</u>

18.1 Payable to defined benefit plans

Benevolent scheme-clerical/non-clerical	35.3.5	-	-
Gratuity scheme-SR-2005	35.4.2.5	69,131	108,596
		<u>69,131</u>	<u>108,596</u>

18.2 This represents the amount of Rs. 8.100 million (2008: Rs. 9.567 million) and Rs. 168 million (2008: Rs. 168 million) payable to Ministry of Food Agriculture and Livestock under Japanese KR-II grant-1996 and Crop Maximization Project-productivity enhancement on sustainable basis.

	Note	2009	2008
Rupees in '000			
18.3 Liabilities relating to Bangladesh			
Liabilities		1,460,825	1,431,535
Assets		(1,460,636)	(1,431,346)
	18.3.1	<u>189</u>	<u>189</u>

18.3.1 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 and instead of carrying the interest to profit and loss account, will show it in the balance sheet only. The Bank is accruing interest at the rate of 8% on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

	Note	2009	2008
Rupees in '000			
18.4 Deferred Income			
Balance as at January 1		207,112	9,375
Additions during the year		-	279,316
Amortization during the year	25	(71,112)	(81,579)
Balance as at December 31	18.4.1	<u>136,000</u>	<u>207,112</u>

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

18.5 This represents various payables which includes withholding tax, contribution received from borrowers etc.

19 SHARE CAPITAL

19.1 Authorized Capital

	2009	2008	Note	2009	2008
	Number of shares			Rupees in '000	
	<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

19.2 Issued, subscribed and paid up

	2009	2008		2009	2008
	Number of shares			Rupees in '000	
	<u>1,186,961,201</u>	<u>1,186,961,201</u>	Ordinary shares of Rs. 10 each		
	<u>65,282,866</u>	<u>65,282,866</u>	Fully paid in cash	11,869,612	11,869,612
	<u>1,252,244,067</u>	<u>1,252,244,067</u>	Issued as bonus shares	652,829	652,829
				<u>12,522,441</u>	<u>12,522,441</u>

19.3

Shareholder	No of ordinary shares	Paid-up value per share	2009	2008
Rupees in '000				
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	1,256	1,256
Government of NWFP	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

	Statutory reserve	Contingencies reserve	Total
	Rupees in '000		
Balance as at January 1, 2009	1,026,169	60,000	1,086,169
Transfer from unappropriated profit	425,385	-	425,385
Balance as at December 31, 2009	1,451,554	60,000	1,511,554

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

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

2009 2008
Rupees in '000

21 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

Surplus arising on revaluation of available-for-sale securities

Quoted shares

Other securities

	447,153	485,031
	52,383	89,108
	499,536	574,139
	(63,049)	(79,691)
	436,487	494,448

Less: Related deferred tax liability

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingent assets

22.1.1 The Government of Pakistan has reduced the markup rates on Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. July 01, 2004. As per the directive of the Bank's Board of Directors, the Bank has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect has provisionally been worked out at Rs. 17,744 million for the period from July 01, 2004 to December 31, 2009 (Rs. 13,569 million: up to December 31, 2008). However, this amount has not been accounted for in the accounts as the formal approval from Ministry of Finance has not been received by the Bank.

22.1.2 There is a contingent gain of an amount of Rs. 756.272 million receivable from the Federal Government on account of President Relief Package announced on May 5, 2007 for the small borrowers of the Bank at Badin, Umerkot and Tharparkar districts which were outstanding as at April 30, 2007. Total amount receivable from the Federal Government was Rs. 956.272 million which was duly certified by a professional firm of Chartered Accountants.

22.2 Contingent liabilities

22.2.1 The appointment of the President of the Bank has been challenged before the Honourable Lahore High Court, Lahore, pending adjudication. The management of the Bank, however considers that there is no lacuna / deficiency in such appointment resulting no financial impact of it on the financial statements.

2009 2008
Rupees in '000

22.2.2 Contingent liabilities in respect of 587 cases (December 31, 2008: 565 cases) filed against the Bank by various borrower.

18,232,419 7,922,956

22.2.3 Contingent liability in respect of 440 cases (December 31, 2008: 440 cases) filed against the Bank in various courts of law by the employees.

271,112 215,837

22.2.4 There is a contingency of an amount of Rs 297.149 million on account of minimum income tax levied by the income tax authorities under Section 80-D of Income Tax Ordinance, 1979, for assessment years 1991-92 to 1998-99. The income of the Bank was exempt from tax up to income year ended June 30, 1999. The Bank paid, under protest, the disputed tax demand and also filed writ petition in this respect in Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the petition on 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 Central Board of Revenue disagreed with the aforesaid decision and has further taken up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision. Last hearing with the AGP was on 26.02.2009. The advice/decision of the AGP is still awaited. Since the Bank is very confident for a favorable decision from the AGP. Hence, no provision has been recorded in this respect.

- 22.2.5** Income Tax Department under section 89/205 of the ITO-1979 levied income tax amounting to Rs.11.243 million for the assessment year 2001-2002. The Bank had to pay the amount as it was a mandatory payment. ZTBL has filed appeals before the CIT(A). The Bank has not made provision for the tax amounting to Rs.11.243 million as it is expected that the demand would not materialize.
- 22.2.6** Income tax of Rs.1,123.901 million was levied by the Income Tax Department for Assessment Year 2002-03 on a remanded back case by ITAT. The Bank has filed an appeal before the CIT(A) against the order of assessing Officer. Pending the outcome of the decision, the Bank has not made provision for the incremental amount of tax and contingent liability as it is confident that the same will not crystallize.
- 22.2.7** Income tax of Rs.1,457.555 million and further an amount of Rs. 317.482 million was levied by the Income Tax Department for tax year 2003, against provision of Rs. 6.873 million in the books of account. The CIT(A) in his orders favouring the appeal of the Bank reduced the tax amount of Rs 1,457.555 million to Rs. 1,036.570 million and further demand of Rs. 317.482 million to 235.172 respectively. The Bank has filed an appeal before the ITAT. The ITAT in his order favoured the appeal of the Bank. The Bank has not made provision for the incremental/additional amount of tax.
- 22.2.8** Income tax of Rs.2,157.151 million was levied by the Income Tax Department for tax year 2004, against provision of Rs. 369.242 million in the books of account. The CIT(A) in his Orders favouring the appeal of the Bank reduced the tax amount of Rs. 2,157.151 million to Rs. 2,067.564 and subsequently reduced it to Rs. 1.660.674 million. The Bank has filed an appeal before the ITAT. The ITAT in his order favoured the appeal of the Bank. The Bank has not made provision for the incremental/additional amount of tax.
- 22.2.9** Income Tax of Rs.532.136 million was levied by the Income Tax Department for tax year 2005, against provision of Rs.38.434 million in the books of accounts. The Bank has paid Rs.60.734 million against the said demand. The Bank filed an appeal before the CIT(A) against the aforesaid order who upheld the assessment. The Bank is in an appeal with the ITAT. The ITAT in his order favoured the appeal of the Bank. The Bank has not made provision for the incremental/additional amount of tax.
- 22.2.10** Income tax of Rs.1,786.258 million and subsequently an addition of Rs. 31.055 million was levied by the Income Tax Department for tax year 2006, against provision of Rs. 46.719 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department against initial demand and the case is pending with CIT(A) on incremental/additional demand. The Bank has preferred an appeal against the order of the CIT(A) before the ITAT and paid Rs.328.228 million under protest. The ITAT in his order favoured the appeal of the Bank. The Bank has not made provision for the incremental/additional amount of tax.
- 22.2.11** Income tax of Rs.2,239.493 million and subsequently an addition of Rs. 24.876 million was levied by the Income Tax Department for tax year 2007, against provision of Rs. 1,131.484 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department against initial demand and the case is pending with CIT(A) on incremental/additional demand. The Bank has preferred an appeal before the ITAT and paid Rs.1,479.457 million under protest. The ITAT in his order favoured the appeal of the Bank. The Bank has not accounted for the incremental/additional amount of tax.
- 22.2.12** Income tax of Rs.1,382.898 million was levied by the Income Tax Department for tax year 2008, against provision of Rs. 639.571 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the case is pending with CIT(A). The Bank has paid Rs.600 million under protest. The Bank has not made provision for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.13** Income tax of Rs.1,798.905 million was levied by the Income Tax Department for tax year 2009, against provision of Rs. 1,387.835 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the case is pending with CIT(A). The Bank has not made provision for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.14** The SBP debt of Rs. 73.997 billion (Principal Rs. 54.461 billion; mark-up Rs. 19.536 billion) is in the process of repricing/ restructuring as explained in Note 14.5. Consequent upon reworking of accrued mark up as advised by the SBP and as explained in Note 15.5 the resultant additional mark up amounting to Rs.2.729 billion has not been accounted for in these financial statements, pending formal approval of the debt restructuring proposal including approval of ZTBL claim of differential of mark-up amounting to Rs.17.744 billion from GoP. In this regard MoF vide their letter No. F.1(5)1F-1/2007-1217 dated September 28, 2009 has advised that Finance Division, SBP and ZTBL will work out a revised proposal to rationalize debt structure of the ZTBL. As per GoP directive, State Bank of Pakistan has presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated October 27, 2009. However, ZTBL has requested MoF vide its letter No. 2932 dated November 20, 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated April 08, 2010 that agreed upon SBP debt restructuring proposal dated November 08, 2008 may be implemented.

	Note	2009	2008
		Rupees '000	
23	MARK UP/RETURN/INTEREST EARNED		
	On loans and advances to customers	6,855,395	6,423,707
	On investments in held to maturity securities	572,388	453,530
	On deposits with financial institutions	1,627,531	1,592,932
		<u>9,055,314</u>	<u>8,470,169</u>
24	MARK UP/RETURN/INTEREST EXPENSED		
	On deposits	92,582	33,768
	On borrowings and subordinated debt - State Bank of Pakistan	3,501,655	3,454,906
	Bank commission and other charges	3,339	737
		<u>3,597,576</u>	<u>3,489,411</u>
25	OTHER INCOME		
	Rent of property - KSSL	9,743	2,071
	Rent of property - others	16,151	12,473
		<u>25,894</u>	<u>14,544</u>
	Recoveries of charge off amounts	4,287,158	4,817,050
	Recoveries against loans written-off under Government relief packages	480,000	-
	Net profit on sale of property and equipment	1,566	19,428
	Loan application fee	473,382	308,829
	Net credit relating to defined benefit plans	546,902	354,130
	Deferred income amortization	71,112	81,579
	Others	185,504	181,560
		<u>6,071,518</u>	<u>5,777,120</u>
25.1	Excess provision in respect of defined benefit plans has been written back on the basis of actuarial valuation carried out by an independent actuary.		
25.2	OTHERS		
	Sale proceeds of loan application forms	6,824	4,707
	Postal charges received from loanees	60,322	51,252
	Accounting and other services rendered to KSSL	14,177	4,043
	Miscellaneous income	104,181	121,558
		<u>185,504</u>	<u>181,560</u>
25.2.1	It includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.		
26	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and benefits	3,615,191	3,223,710
	Charge for defined contribution plan	39,083	24,950
	Charge for compensated absence	242,096	243,482
	Non-executive directors' fees and other expenses	516	1,476
	Rent, taxes, insurance, electricity, etc.	129,077	93,349
	Legal and professional charges	81,631	56,657
	Communications	38,580	34,760
	Repairs and maintenance	30,788	52,233
	Motor vehicle expenses	210,617	216,512
	Traveling expenses	131,551	121,629
	Stationery and printing	45,817	27,465
	Advertisement and publicity	23,831	10,044
	Auditors' remuneration	4,219	3,460
	Depreciation - tangible	209,194	183,850
	Amortization - intangible	25,302	18,333
	Services rendered by KSSL	333,442	137,442
	Expense on senior management team	-	2,718
	Others	75,229	68,389
		<u>5,236,164</u>	<u>4,520,459</u>

26.1 Auditors' remuneration

	2009		
	Hyder Bhimji & Co. Chartered Accountants	BDO Ebrahim & Co. Chartered Accountants	Total
	Rupees in '000		
Audit fee	661	661	1,322
Fee for half year review	165	165	330
Consolidation of the accounts of subsidiary company	200	200	400
Other certification	363	362	725
Out of pocket expenses	721	721	1,442
	<u>2,110</u>	<u>2,109</u>	<u>4,219</u>

	2008		
	Rupees in '000		
	Audit fee	575	575
Fee for half year review	144	144	288
Consolidation of the accounts of subsidiary company	200	200	400
Other certification	184	184	368
Out of pocket expenses	627	627	1,254
	<u>1,730</u>	<u>1,730</u>	<u>3,460</u>

27 OTHER CHARGES

	2009	2008
	Rupees in '000	
Penalties imposed by SBP	390	230
Fixed assets - written off	-	682
	<u>390</u>	<u>912</u>

28 COMMUTATION TO EMPLOYEES UNDER SR-2005

Commutation to employees under SR-2005 comprises the differential of 100% commutation of pension (on the basic pay admissible as on the date of option in respect of officers/executives under SSR-1961 opted for SR-2005) and amount received from pension fund thereof.

	Note	2009	2008
		Rupees in '000	
29 TAXATION			
For the year			
Current	29.1	1,667,671	1,387,835
Prior years		37,491	12,606
Deferred		(459,546)	(13,325)
		<u>1,245,616</u>	<u>1,387,116</u>

29.1 Relationship between tax expense and accounting profit

Accounting profit for the year		3,372,540	3,988,405
Add:			
Accounting depreciation		234,496	202,183
Provision charged against non performing loans as per Prudential Regulations		2,224,673	-
		<u>2,459,169</u>	<u>202,183</u>
Less: tax depreciation			
tax depreciation		134,383	204,728
Provision against non performing loans allowed up to 1% of gross advances		893,965	-
dividend and rental income for separate consideration		53,880	25,954
		<u>1,082,228</u>	<u>230,682</u>
		<u>4,749,481</u>	<u>3,959,906</u>

	Note	2009	2008
		Rupees in '000	
Tax-excluding dividend and rental income		1,662,318	1,385,967
Tax on dividend and rental income		5,353	1,868
Tax for the current period		<u>1,667,671</u>	<u>1,387,835</u>
Applicable tax rate		35%	35%

30 BASIC EARNINGS PER SHARE

Profit for the year		2,126,924	2,601,289
Weighted average number of ordinary shares outstanding during the year (number in thousand)		1,252,244	1,252,244
Basic earnings per share in rupees		<u>1.698</u>	<u>2.077</u>

31 There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at December 31, 2009.

	Note	2009	2008
		Rupees in '000	
32 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	7	2,354,107	1,732,495
Balance with other banks	8	<u>9,536,981</u>	<u>15,881,673</u>
		<u>11,891,088</u>	<u>17,614,168</u>

33 STAFF STRENGTH

Permanent		5,274	5,286
Contractual		78	84
Total staff strength		<u>5,352</u>	<u>5,370</u>

34 CREDIT RATING

JCR-VIS Credit Rating Company, Karachi in its report dated June 29, 2009 has reaffirmed credit rating of the Bank at AAA/A-1+ (2008:AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B. (2008, B+ medium to long term, B short term rating).

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

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

35.1 Pension scheme

35.1.1 General description

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 Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers/executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.

35.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13% per annum
Expected rate of return on investments	14% per annum
Indexation in pension	8% per annum

35.1.3 Actuarial (gain)/loss in obligations

	Note	2009	2008
		Rupees in '000	
Present value of obligation as on January 1		2,267,226	1,838,739
Current service cost		26,869	24,850
Interest cost		317,412	183,874
Benefits paid		(617,504)	(68,345)
Reversal gain as a result of transfer of liability to Gratuity SSR-1961		(637,967)	-
Actuarial (gain)/loss on obligation		(24,259)	288,108
Present value of obligation as at December 31		<u>1,331,777</u>	<u>2,267,226</u>

35.1.4 Actuarial gain/(loss) in assets

Total assets as on January 1		5,114,465	4,751,634
Expected return on plan assets		716,025	475,164
Contributions		38,830	46,282
Benefits paid		(617,504)	(68,345)
Actuarial gain/(loss) on assets		(70,837)	(90,270)
Total assets as at December 31		<u>5,180,979</u>	<u>5,114,465</u>

35.1.5 Reconciliation of receivable from pension fund

Present value of defined benefit obligation		1,331,777	2,267,226
Fair value of plan assets		(5,180,979)	(5,114,465)
Net actuarial gains not recognized		(201,482)	(154,904)
Net receivable at the year end		<u>(4,050,684)</u>	<u>(3,002,143)</u>

35.1.6 Movement in net liability/(asset) recognized

Opening net asset		(3,002,143)	(2,689,422)
Credit for the period	35.1.7	(1,009,711)	(266,439)
Contribution to fund/benefits paid during the year		(38,830)	(46,282)
Closing net asset		<u>(4,050,684)</u>	<u>(3,002,143)</u>

35.1.7 Credit for pension fund

Current service cost	26,869	24,850
Interest cost	317,412	183,874
Expected return on plan assets	(716,025)	(475,163)
Reversal gain as a result of transfer of liability to Gratuity SSR-1961	(637,967)	-
	(1,009,711)	(266,439)

35.2 Benevolent scheme - officers/executives

35.2.1 General description

For all officers/executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 100, by each officer/executive. Employee contributions are matched by an equal amount of contributions by the Bank which is also liable to meet any shortfall in the fund.

35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

35.2.3 Actuarial (gain)/loss in obligations

Present value of obligation as on January 1	157,652	208,563
Current service cost	5,787	7,442
Interest cost	22,071	20,856
Benefits paid	(10,584)	(8,629)
Actuarial (gain)/loss on obligation	(9,424)	(70,580)
Present value of obligation as at December 31	165,502	157,652

35.2.4 Actuarial gain/(loss) in assets

Total assets as on January 1	463,458	437,347
Expected return on plan assets	64,884	43,736
Contributions - Employer	8,643	8,697
Contributions - Employee	8,643	8,697
Benefits paid	(10,584)	(8,629)
Actuarial gain/(loss) on assets	(32,950)	(26,390)
Total assets as at December 31	502,094	463,458

35.2.5 Reconciliation of receivable from benevolent fund

Present value of defined benefit obligation	165,502	157,652
Fair value of plan assets	(502,094)	(463,458)
Unrecognised actuarial gain/(loss)	33,454	58,309
Net receivable at the year end	(303,138)	(247,497)

35.2.6 Movement in net asset recognized

Opening net receivable	(247,497)	(214,282)
Credit for the period	35.2.7 (46,998)	(24,518)
Contribution to fund/benefits paid during the year	(8,643)	(8,697)
Closing net receivable	(303,138)	(247,497)

35.2.7 Credit for benevolent fund

Current service cost	5,787	7,442
Interest cost	22,071	20,856
Expected return on plan assets	(64,884)	(43,735)
Actuarial gains recognized	(1,329)	-
Contribution-employee	(8,643)	(8,697)
Negative past service cost-recognized	-	(384)
	<u>(46,998)</u>	<u>(24,518)</u>

35.3 Benevolent scheme - clerical/non-clerical

35.3.1 General description

For all clerical/non-clerical staff, the Bank operates an approved funded benevolent scheme to 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 which is also liable to meet any shortfall in the fund.

35.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

35.3.3 Actuarial (gain)/loss in obligations

2009 2008
Rupees in '000

Present value of obligation as on January 1	32,555	41,989
Current service cost	1,704	2,284
Interest cost	4,558	4,198
Benefits paid	(1,081)	(1,216)
Actuarial (gain)/loss on obligation	<u>(3,695)</u>	<u>(14,700)</u>
Present value of obligation as at December 31	<u>34,041</u>	<u>32,555</u>

35.3.4 Actuarial gain/(loss) in assets

Total assets as on January 1	195,519	181,826
Expected return on plan assets	27,373	18,183
Contributions - Employer	3,779	3,889
Contributions - Employee	3,779	3,889
Benefits paid	(1,081)	(1,216)
Actuarial gain/(loss) on assets	<u>(4,376)</u>	<u>(11,052)</u>
Total assets as at December 31	<u>224,993</u>	<u>195,519</u>

35.3.5 Reconciliation of payable to/(receivable from) benevolent fund

Present value of defined benefit obligation	34,041	32,555
Fair value of plan assets	(224,993)	(195,519)
Net actuarial gains/(losses) not recognized	<u>108,491</u>	<u>120,375</u>
Net receivable at the year end	<u>(82,461)</u>	<u>(42,588)</u>

35.3.6 Movement in net asset recognized

Opening net (receivable)/payable		(42,588)	(12,161)
Credit for the year	35.3.7	(36,094)	(26,538)
Contribution to fund/benefits paid during the year		<u>(3,779)</u>	<u>(3,889)</u>
Closing net receivable		<u>(82,461)</u>	<u>(42,588)</u>

35.3.7 Credit for benevolent fund

Current service cost	1,703	2,284
Interest cost	4,558	4,199
Expected return on plan assets	(27,373)	(18,183)
Actuarial (gains)/losses recognized	(11,203)	(10,949)
Contribution-employee	(3,779)	(3,889)
	<u>(36,094)</u>	<u>(26,538)</u>

35.4 Gratuity scheme

35.4.1 Gratuity under old Staff Regulations

35.4.1.1 General description

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 on which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

35.4.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

Note 2009 2008
Rupees in '000

35.4.1.3 Actuarial (gain)/loss in obligations

Present value of obligation as on January 1	6	13
Current service cost	1	2
Interest cost	1	1
Benefits paid	(293,526)	(9,382)
Addition to liability from Pension Fund	637,967	-
Actuarial (gain)/loss on obligation	13,520	9,372
Present value of obligation as at December 31	<u>357,969</u>	<u>6</u>

35.4.1.4 Actuarial gain/(loss) in assets

Total assets as on January 1	1,588,217	1,458,084
Expected return on plan assets	222,350	145,809
Contributions	1,467	1,469
Benefits paid	(293,526)	(9,382)
Actuarial gain/(loss) on assets	(35,230)	(7,763)
Total assets as at December 31	<u>1,483,278</u>	<u>1,588,217</u>

35.4.1.5 Reconciliation of receivable from gratuity fund

Present value of defined benefit obligation	357,969	6
Fair value of plan assets	(1,483,278)	(1,588,217)
Net actuarial gains/(losses) not recognized	84,573	133,323
	<u>(1,040,736)</u>	<u>(1,454,888)</u>

35.4.1.6 Movement in net asset recognized

Opening net asset	(1,454,888)	(1,307,097)
Credit for the year	35.4.1.7 415,619	(146,322)
Contribution to fund/benefits paid during the year	(1,467)	(1,469)
Closing net asset	<u>(1,040,736)</u>	<u>(1,454,888)</u>

35.4.1.7 Credit for gratuity fund

Current service cost	1	2
Interest cost	1	1
Expected return on plan assets	(222,350)	(145,809)
Actuarial gains recognized	-	(517)
Addition to liability from Pension Fund	<u>637,967</u>	<u>-</u>
	<u>415,619</u>	<u>(146,322)</u>

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

35.4.2.1 General description

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 and contributions to this Fund are made by the Bank at the rate of 8.333% of the monetized salary per month.

35.4.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

Note 2009 2008
Rupees in '000

35.4.2.3 Actuarial (gain)/loss in obligations

Present value of obligation as on January 1	388,796	270,820
Current service cost	110,732	92,116
Interest cost	54,431	27,082
Benefits paid	(9,457)	(897)
Actuarial (gain)/loss on obligation	<u>6,896</u>	<u>(325)</u>
Present value of obligation as at December 31	<u>551,398</u>	<u>388,796</u>

35.4.2.4 Actuarial gain/(loss) in assets

Total assets as on January 1	249,150	95,121
Expected return on plan assets	34,881	9,512
Contributions	169,747	133,395
Benefits paid	(9,457)	(897)
Actuarial gain/(loss) on assets	<u>2,028</u>	<u>12,019</u>
Total assets as at December 31	<u>446,349</u>	<u>249,150</u>

35.4.2.5 Reconciliation of payable to gratuity fund

Present value of defined benefit obligation	551,398	388,796
Fair value of plan assets	(446,349)	(249,150)
Net actuarial gains/(losses) not recognized	<u>(35,918)</u>	<u>(31,050)</u>
	<u>69,131</u>	<u>108,596</u>

35.4.2.6 Movement in net liability recognized

Opening net liability		108,596		132,304
Charge for the period	35.4.2.7	130,282		109,687
Contribution to fund/benefits paid during the year		(169,747)		(133,395)
Closing net liability		<u>69,131</u>		<u>108,596</u>

	Note	2009	2008
		Rupees in '000	
35.4.2.7 Charge for gratuity fund			
Current service cost		110,732	92,117
Interest cost		54,431	27,082
Expected return on plan assets		(34,881)	(9,512)
		<u>130,282</u>	<u>109,687</u>

35.5 Post retirement medical benefits

35.5.1 General description

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.

35.5.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Medical inflation rate	12% per annum
Exposure inflation rate	3% per annum

	Note	2009	2008
		Rupees in '000	
35.5.3 Actuarial (gain)/loss in obligations			
Present value of obligation as on January 1		2,512,406	2,107,028
Current service cost		57,132	74,547
Interest cost		351,737	210,703
Benefits paid		(17,746)	(18,271)
Actuarial (gain)/loss on obligation		(360,274)	138,399
Present value of obligation as at December 31		<u>2,543,255</u>	<u>2,512,406</u>
35.5.4 Reconciliation of payable to medical benefits			
Present value of defined benefit obligation		2,543,255	2,512,406
Net actuarial gains not recognized		1,269,231	991,172
		<u>3,812,486</u>	<u>3,503,577</u>
35.5.5 Movement in net liability recognized			
Opening net liability		3,503,577	3,359,112
Charge for the period	35.5.6	326,655	162,736
Contribution to fund/benefits paid during the year		(17,746)	(18,271)
Closing net liability		<u>3,812,486</u>	<u>3,503,577</u>
35.5.6 Charge for medical benefits			
Current service cost		57,132	74,547
Interest cost		351,738	210,703
Actuarial gains recognized		(82,215)	(102,096)
Negative past service cost recognized		-	(20,418)
		<u>326,655</u>	<u>162,736</u>

35.6 Employee compensated absences

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. The liability of the Bank as per the latest actuarial valuation carried out as at December 31, 2009 amounted to Rs. 1,194.349 million (December 31, 2008: Rs. 952.253 million) which has been fully provided by the Bank. The provision has been increased by Rs. 242.096 million for the year ended December 31, 2009.

For all the employees of the Bank who have opted for retirement benefits scheme announced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively, the Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month. For employees who have not opted for aforesaid retirement benefit scheme, the Bank operates an approved contributory provident fund (Employees Provident Fund) where contributions are made by the Bank and employees at the rate of 8.33% of basic salary per month.

Contributory Provident Fund (CPF) scheme was introduced in 2006 (w.e.f. July 2006) for the employees governed under Staff Regulations 2005 (SR-2005) and contributions to the CPF are made by the employees at the rate of 2% of monetized salary per month and matching contribution by the Bank, if their remaining service is more than ten years from the date of option/appointment.

36 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Bank is as follows:

	President		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees in '000					
Fee	-	-	516	1,476	-	-
Managerial remuneration	6,000	4,587	-	-	1,252,276	945,903
Charge for defined benefit plan	1,000	784	-	-	104,102	74,678
Contribution to defined benefit fund	-	-	-	-	16,820	6,723
Rent and house maintenance	2,220	542	-	-	14,281	35,572
Utilities	297	45	-	-	3,570	8,893
Medical	48	45	-	-	3,950	9,712
Conveyance	359	397	-	-	2,107	7,298
Furnishing allowance	-	-	-	-	6,724	1,607
Leave fare assistance	-	-	-	-	-	-
Club facility	341	50	-	-	-	-
Others	754	798	-	-	580	1,859
	<u>11,019</u>	<u>7,248</u>	<u>516</u>	<u>1,476</u>	<u>1,404,410</u>	<u>1,092,245</u>
Number of persons	<u>1</u>	<u>2</u>	<u>8</u>	<u>9</u>	<u>1,391</u>	<u>789</u>

36.1 Executives mean employees, other than the chief executive and directors, whose basic/monetized salary exceeds Rs. 500,000 in a financial year. The chief executive, senior vice president and above other than covered under SR-2005 have been provided Bank maintained cars. Vice president and above governed by SR-2005 have also been provided cars under Cars Loan Depreciation Policy (CLDP).

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

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 assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

37.1 On-balance sheet financial instruments

	2009		2008	
	Book value	Fair value	Book value	Fair value
	Rupees in '000		Rupees in '000	
Assets				
Cash and balances with treasury banks	2,354,107	2,354,107	1,732,495	1,732,495
Balances with other banks	9,536,981	9,536,981	15,881,673	15,881,673
Investments - net	7,213,948	7,213,948	5,055,690	5,055,690
Advances - net	81,974,021	81,974,021	69,923,497	69,923,497
Other assets - net	37.2	9,927,228	8,454,393	8,454,393
		<u>111,006,285</u>	<u>101,047,748</u>	<u>101,047,748</u>
Liabilities				
Bills payable	2,059,979	2,059,979	613,378	613,378
Borrowings	51,257,213	51,257,213	51,257,213	51,257,213
Deposits and other accounts	8,750,892	8,750,892	5,425,259	5,425,259
Sub-ordinated loan	3,204,323	3,204,323	3,204,323	3,204,323
Other liabilities	37.2	27,367,482	23,621,206	23,621,206
		<u>92,639,889</u>	<u>84,121,379</u>	<u>84,121,379</u>

37.2 Stationery, stock in hand, advances and prepayments have been excluded while arriving on financial instruments in other assets. Similarly, inter-branch adjustments has been deducted from other liabilities.

SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate	Trading and	Retail	Commercial	Payment and	Agency	Assets	Retail	Agri
	finance	sales	banking	banking	settlement	services	management	brokerage	financing
	Rupees in '000								
2009									
Total income	-	-	-	-	-	-	-	-	15,164,986
Total expenses	-	-	-	-	-	-	-	-	11,792,446
Net income before tax	-	-	-	-	-	-	-	-	3,372,540
Taxation	-	-	-	-	-	-	-	-	1,245,616
Income after tax	-	-	-	-	-	-	-	-	2,126,924
Segment assets (gross)	-	-	-	-	-	-	-	-	112,618,877
Segment non performing loans	-	-	-	-	-	-	-	-	14,086,126
Segment provision required	-	-	-	-	-	-	-	-	4,401,719
Segment liabilities	-	-	-	-	-	-	-	-	92,184,201
Segment return on net assets(%)	-	-	-	-	-	-	-	-	10.94%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.69%
2008									
Total income	-	-	-	-	-	-	-	-	14,263,105
Total expenses	-	-	-	-	-	-	-	-	10,274,700
Net income before tax	-	-	-	-	-	-	-	-	3,988,405
Taxation	-	-	-	-	-	-	-	-	1,387,116
Income after tax	-	-	-	-	-	-	-	-	2,601,289
Segment assets (gross)	-	-	-	-	-	-	-	-	102,340,790
Segment non performing loans	-	-	-	-	-	-	-	-	12,985,615
Segment provision required	-	-	-	-	-	-	-	-	4,806,237
Segment liabilities	-	-	-	-	-	-	-	-	84,975,077
Segment return on net assets(%)	-	-	-	-	-	-	-	-	14.98%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.83%

The Bank act as trustee in its fiduciary capacity that results in the holding or placing of assets on behalf of individuals, trust, retirement benefit plan and other institutions. Provided the trustees or similar relationship is legally supported, these assets are not asset of the Bank and therefore, are not included in its balance sheet except net amount receivable/payable in respect thereof.

40 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, subsidiary companies with or without common directors, retirement benefit funds, directors and key management personnel.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions between the Bank and its related parties are carried at arm's length basis under the comparable uncontrolled price method. However, the transactions between the Bank and its subsidiary, Kissan Support Services (Pvt) Limited, are carried out on "cost plus" method. Details of loans and advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.8 to these financial statements. 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 valuation / terms of the contribution plan as disclosed in notes 35. Remuneration to the executives and disposal of vehicles are disclosed in note 36 and 11.8 to these financial statements respectively. Details of transactions with related parties and balances with them excluding those entered into with directors / executives as per their terms of employment as disclosed in note 36 at the year end was as under:

	2009		2008	
	Key management personnel	Subsidiary M/s KSSL	Key management personnel	Subsidiary M/s KSSL
	Rupees '000			
Advances				
As on January 1	11,037	-	4,977	-
Given during the year	4,733	15,000	9,430	-
Repaid during the year	(2,277)	-	(3,370)	-
As at December 31	13,493	15,000	11,037	-
Deposits				
As on January 1	5,148	-	2,520	-
Received during the year	58,839	-	48,033	-
Withdrawn during the year	(54,758)	-	(45,405)	-
As at December 31	9,229	-	5,148	-
Investments at the end of the year	-	100,000	-	100,000
Payable at the end of the year	-	2,713	-	2,739

	2009		2008	
	Key management personnel	Subsidiary M/s KSSL	Key management personnel	Subsidiary M/s KSSL
	Rupees '000			
Mark up/ interest earned	352	-	163	-
Remuneration paid	41,106	-	37,842	-
Post retirement benefit	3,028	-	2,571	-
Contribution to defined benefit plan	311	-	293	-
Services rendered by subsidiary company	-	333,442	-	140,789
Rent, accounting and communication charges received	-	23,963	-	6,144

41 CAPITAL ADEQUACY

41.1 The Basel II Framework is applicable to the Bank both at the consolidated level (comprising of wholly/partially owned subsidiaries) and also on a stand alone basis.

Risk is an inherent part of every Bank's business activities, which are managed through risk management framework and governance structures at the Bank.

The major risks types are:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Bank's capital adequacy is being managed, maintained and reported using various measures including the rules and ratios provided by the State Bank of Pakistan.

Capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets. Measuring capital adequacy requires risk mitigants to be applied to the amount of assets shown on a Bank's balance sheet. These assets are then applied weightages according to the degree of inherent risk. The capital adequacy ratios compare the amount of eligible capital with the total of risk-weighted assets (RWAs).

The Bank has developed Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by SBP. This framework has been approved by Bank's Board Risk Committee and submitted to SBP. The Bank has covered additional risks which are not covered under Pillar I and have projected satisfactory capital adequacy for the next six years leaving ample cushion for any future capital requirements. The Bank will review the ICAAP framework on annual basis (financial year end i.e. December) and changes/updates will be recommended to Basel II committee for onward submission to the Board of Directors.

41.2 Capital Management

Goals of managing capital

The goals of managing capital of the Bank are as follows;

- to be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peer.
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 23 billion by the year ending on December 31, 2013. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at December 31, 2009 was 21.90% of its risk weighted exposure.

Bank's regulatory capital is analysed in to two tiers

- Tier 1 capital, which includes fully paid up capital (including the bonus shares), reserves as per the financial statements and unappropriated profits and after adjustment of revaluation of available for sale investments.
- Tier 2 capital, which includes general provision for loan losses (up to a maximum of 1.25 % of risk weighted assets), and equity investments up to a maximum of 45 %, 50% deduction for investments in the equity of subsidiary companies.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank carries the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organisation and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

41.3 Capital adequacy Ratio

The risk weighted assets to capital ratio, calculated in accordance with the SBP guidelines on capital adequacy was as follows:

Regulatory capital base

Tier I capital

Shareholders capital	12,522,441	12,522,441
Reserves	-	-
Unappropriated profits	4,964,194	3,262,655
	17,486,635	15,785,096

Less:

Intangibles	(34,019)	(59,321)
50% deduction for investment in subsidiary	(50,000)	(50,000)
	(84,019)	(109,321)

Total tier I capital

17,402,616 15,675,775

Tier II capital

Subordinated debt (upto 50% of total tier I capital)	3,204,323	3,204,323
General provisions subject to 1.25% of total risk weighted assets	1,028,000	901,212
Revaluation reserve (upto 45%)	196,419	222,502
	4,428,742	4,328,037

Less: 50% deduction for investment in subsidiary

	(50,000)	(50,000)
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Total tier II capital

4,378,742 4,278,037

Eligible tier III capital

- -

Total regulatory capital

(a) 21,781,358 19,953,812

Risk weighted exposures

2009		2008	
Book value	Risk adjusted value	Book value	Risk adjusted value

Rupees in '000

Credit risk

Balance sheet items:

Cash and other liquid Assets	490,861	-	518,523	-
Money at call	9,740,451	1,948,090	16,072,645	3,214,529
Investments - net	8,934,933	588,982	6,366,409	663,848
Advances - net	84,974,021	68,937,234	72,923,497	58,918,161
Fixed assets	1,031,761	1,031,761	1,083,565	1,083,565
Other assets - net	9,733,913	9,733,913	8,216,830	8,216,830
	114,905,940	82,239,980	105,181,469	72,096,933

Off balance sheet items:

Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
Purchase	-	-	-	-
Sale	-	-	-	-
	-	-	-	-

Credit risk-weighted exposures

114,905,940	82,239,980	105,181,469	72,096,933
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2009 2008
Rupees in '000

Market Risk

General market risk	-	-
Specific market Risk	-	-
Market risk-weighted exposures	-	-

Operational Risk

Total Operational Risk Weighted Amount	17,239,537	15,151,071
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Total risk-weighted exposures

(b) 99,479,517 87,248,004

Capital adequacy ratio [(a) / (b) x 100]

21.90% 22.87%

Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. ZTBL has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market and liquidity and operational risks. The Bank's risk management department is independent of the business and operations and directly reports to the President. The Bank has setup a Basel-II Implementation Committee and working groups to implement orderly transition and effective implementation of this Basel-II Accord in the Bank. The risk policy has already been modified to cater to the guidelines of the Basel-II Accord. The bank systematic and integrated risk management function for each category of risk is as follows;

42.1 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 value due actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analysed on a quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio will be more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk PAR report will also be generated. This will enable the management to take proactive measurements for having a quality credit portfolio/products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinize agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors. During the year risk management department also prepared the Internal Capital Adequacy Assessment Process (ICAAP) of the Bank.

Credit exposures subject to standardised approach

Exposures	Rating category	2009				2008	
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		(Rs in thousands)					
Cash and Cash Equivalents		490,861	490,861	-	518,523	518,523	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR		8,345,951	8,345,951	-	5,702,561	5,702,561	-
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan		-	-	-	-	-	-
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community		-	-	-	-	-	-
Claims on Multilateral Development Banks		-	-	-	-	-	-
	1	-	-	-	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Claims on Public Sector Entities in Pakistan		-	-	-	-	-	-
	1	-	-	-	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Claims on Banks		-	-	-	-	-	-
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	1,2,3	-	-	-	-	-	-
	6	-	-	-	-	-	-
	unrated	-	-	-	-	-	-
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR		9,740,451	7,792,361	1,948,090	16,072,645	12,858,116	3,214,529
Claims on Corporates (excluding equity exposures)		-	-	-	-	-	-
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3,4	-	-	-	-	-	-
	5,6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-

(Rs in thousands)

Exposures	Rating category	(Rs in thousands)					
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Claims categorized as retail portfolio		-	-	-	-	-	-
		73,072,213	18,268,053	54,804,160	62,646,650	15,661,662	46,984,988
Claims fully secured by residential property (Residential Mortgage Finance as defined in Section 2.1)		2,217,401	1,441,311	776,090	2,097,469	1,363,355	734,114
Past Due loans:		-	-	-	-	-	-
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:		-	-	-	-	-	-
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.		7,345,153	(3,672,577)	11,017,730	6,039,362	(3,019,681)	9,059,043
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.		2,339,254	-	2,339,254	2,140,016	-	2,140,016
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.		-	-	-	-	-	-
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		-	-	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount		-	-	-	-	-	-
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.		588,982	-	588,982	663,848	-	663,848
Unlisted equity investments (other than that deducted from capital) held in banking book		-	-	-	-	-	-
Investments in venture capital		-	-	-	-	-	-
Investments in premises, plant and equipment and all other fixed assets		1,031,761	-	1,031,761	1,083,565	-	1,083,565
Claims on all fixed assets under operating lease		-	-	-	-	-	-
All other assets		9,733,913	-	9,733,913	8,216,830	-	8,216,830
TOTAL		114,905,940	32,665,960	82,239,980	105,181,469	33,084,536	72,096,933

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Standardized Approach of Credit Risk. In instances where the Bank's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Standardized Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Counterparty rating is obtained through the SBP authorized External Credit Rating Agency; JCR VIS. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Credit Risk Management function.

The wholesale portfolio, which represents agricultural loans are ideally collateralized by land.

The Bank manages limits and controls concentrations of credit risk as identified. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank sets limits on its credit exposure to counterparty, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due) after realization of any available collateral. Loans carried at amortized cost are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. Allowances or provisions are determined such that the carrying values of impaired claims are consistent with the requirements of SBP. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations.

42.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

42.1.1a Segments by class of business	2009					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	86,437,114	96.69%	-	-	-	-
Individuals	-	-	8,738,491	99.86%	18,503,531	50.11%
Others	2,959,393	3.31%	12,401	0.14%	18,422,569	49.89%
	89,396,507	100%	8,750,892	100%	36,926,100	100%

42.1.1b Segment by sector

	2009					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	12,401	0.14%	18,422,569	49.89%
Private	89,396,507	100.00%	8,738,491	99.86%	18,503,531	50.11%
	89,396,507	100.00%	8,750,892	100.00%	36,926,100	100.00%

* This amount represents deposits belonging to autonomous/semi-autonomous bodies.

42.1.1c Details of non-performing advances and specific provisions by class of business segment

	2009		2008	
	Rupees in '000			
	Classified advances	Specific provision held	Classified advances	Specific provision held
Agriculture, forestry, hunting and fishing	14,086,126	4,401,719	12,985,615	4,806,237
Advances to employees	20,767	20,767	40,514	40,514
	14,106,893	4,422,486	13,026,129	4,846,751

42.1.1d Details of non-performing advances and specific provisions by sector

Private	14,086,126	4,401,719	12,985,615	4,806,237
Advances to employees	20,767	20,767	40,514	40,514
	14,106,893	4,422,486	13,026,129	4,846,751

42.1.1e GEOGRAPHICAL SEGMENT ANALYSIS

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	3,372,540	112,618,877	19,434,676	36,926,100

42.2 Market Risk Management

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments/placements are being placed in held to maturity securities/investments. Correspondingly the borrowing from SBP is in the process of restructuring. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

42.3 Foreign Exchange Risk Management

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

42.4 Equity price Risk Management

The Bank is not exposed to equity position risk as all the shares are held by Federal and Provincial Governments. Its securities are not publicly traded.

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

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 bi-annually to assess the impact of a parallel shift in the yield curve of the Bank's capital using sensitivity positions calculated using earlier of contractual re-pricing or maturity date for on-balance sheet instruments, and settlement date for on-balance sheet instruments.

2009

Effective Yield/ Interest rate	Total	Rupees in '000										Non-interest bearing financial instruments
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks

Balances with other banks

Investments - net

Advances - net

Other assets - net

-	2,354,107	-	-	-	-	-	-	-	-	-	-	-	-	2,354,107
12.68	9,536,981	7,288,890	2,231,812	752,896	-	1,007,581	-	-	-	-	-	-	-	16,279
12.70	7,211,948	1,817,725	2,910,039	19,462,613	20,229,492	5,106,447	4,692,971	7,700,221	7,700,221	6,688,576	1,502,052	-	-	725,707
8	81,974,021	7,960,946	7,922,829	-	-	-	-	-	-	-	-	-	-	707,874
-	10,178,772	(63,984)	-	-	-	-	-	-	-	-	-	-	-	10,242,756
-	111,257,829	17,003,577	13,064,680	20,215,509	20,229,492	6,114,028	4,692,971	7,700,221	7,700,221	6,688,576	1,502,052	-	-	14,046,723

Liabilities

Bills payable

Borrowings

Deposits and other accounts

Sub-ordinated loans

Other liabilities

-	2,059,979	-	-	-	-	-	-	-	-	-	-	-	-	2,059,979
6.09	51,257,213	12,707,695	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,151,850	2,241,818	-	-	-	5,237,357
3.33	8,750,892	3,094,809	-	106,685	309,753	-	-	2,288	-	-	-	-	-	3,204,323
-	3,204,323	(1,239,534)	-	-	-	-	-	-	-	-	-	-	-	29,151,328
-	27,911,794	14,562,970	-	1,922,070	2,125,138	3,630,770	3,630,770	7,263,828	18,151,850	5,446,141	-	-	-	36,448,664
-	93,184,201	14,562,970	-	1,922,070	2,125,138	3,630,770	3,630,770	7,263,828	18,151,850	5,446,141	-	-	-	93,184,201

On-balance sheet gap**Off-balance sheet gap****Total yield/interest risk sensitivity gap****Cumulative yield/interest risk sensitivity gap**

18,073,628	2,440,607	13,064,680	18,293,439	18,104,354	2,483,258	1,062,201	436,393	(11,465,274)	(3,944,089)	(22,401,941)
18,073,628	2,440,607	13,064,680	18,293,439	18,104,354	2,483,258	1,062,201	436,393	(11,465,274)	(3,944,089)	(22,401,941)
18,073,628	2,440,607	15,505,287	33,798,726	51,903,080	54,386,338	55,448,539	55,884,932	44,419,658	40,475,569	18,073,628

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

Total financial assets as per note 42.5	Rupees in '000
111,257,829	
Add non financial assets	
Operating fixed assets	1,070,417
Other assets	112,328,246

Total financial liabilities as per note 42.5	Rupees in '000
93,184,201	
Add non financial liabilities	
Deferred tax liabilities	-
Other liabilities	93,184,201

On-balance sheet financial instruments

Assets	Effective Yield/Interest rate	Total	Up to 1 month	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	Non-interest bearing financial instruments
				to 3 months	to 6 months		to 1 years	to 2 years	to 3 years	to 5 years				
Cash and balances with treasury banks	-	1,732,495	-	-	-	-	-	-	-	-	-	-	-	1,732,495
Balance with other banks	10.95	15,881,673	15,337,450	507,297	-	-	-	-	-	-	-	-	-	36,826
Investments - net	12.5	5,055,690	89,422	3,107,699	136,755	-	1,046,388	-	1,046,388	-	-	-	-	675,426
Advances - net	-	69,923,497	2,726,313	7,263,154	20,468,282	21,342,618	4,336,518	3,455,928	4,986,529	3,559,140	1,085,582	-	-	699,433
Other assets - net	-	8,604,549	-	-	-	-	-	-	-	-	-	-	-	8,604,549
Assets		101,197,904	18,151,185	10,878,250	20,065,037	21,342,618	4,336,518	3,455,928	6,032,917	3,559,140	1,085,582	11,748,729		
Liabilities														
Bills payable	-	613,378	613,378	-	-	-	-	-	-	-	-	-	-	-
Borrowings	6.09	51,257,213	9,076,925	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,151,850	5,872,588	-	-	4,299,301
Deposits and other accounts	0.71	5,425,239	992,327	-	129,388	2,032	30	-	2,181	-	-	-	-	-
Sub-ordinated loans	-	3,204,323	-	-	-	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	-	24,289,347	-	-	-	-	-	-	-	-	-	-	-	24,289,347
		84,789,520	10,682,630	-	1,944,773	1,817,417	3,630,800	3,630,770	7,263,721	18,151,850	9,076,911	28,388,648		
On-balance sheet gap		16,408,384	7,470,555	10,878,250	18,660,264	19,525,201	705,718	(174,842)	(1,230,804)	(14,594,710)	(7,991,329)	(16,839,919)		
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-		
Total yield/interest risk sensitivity gap		16,408,384	7,470,555	10,878,250	18,660,264	19,525,201	705,718	(174,842)	(1,230,804)	(14,594,710)	(7,991,329)	(16,839,919)		
Cumulative yield/interest risk sensitivity gap		16,408,384	7,470,555	18,348,805	37,009,069	56,534,270	57,239,988	57,065,146	55,834,342	41,239,632	33,248,303	16,408,384		

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

Total financial assets as per note 42.5.1	Rupees in '000
Add non financial assets	101,197,904
Operating fixed assets	1,142,886
Other assets	<u>102,340,790</u>

Total financial liabilities as per note 42.5	Rupees in '000
Add non financial liabilities	84,789,520
Deferred tax liabilities	185,557
Other liabilities	<u>84,975,077</u>

Assets and Liabilities Committee (ALCO) is effectively performing the function of cash management at the Bank. Accordingly the yields on fund's placement have been constantly increasing.

42.7.1 Maturities of assets and liabilities

	2009									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	2,354,107	2,354,107	-	-	-	-	-	-	-	-
Balances with other banks	9,536,981	7,305,169	2,231,812	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	7,213,948	1,779,584	2,910,039	752,806	-	1,007,581	-	-	-	763,848
Advances - net	81,974,021	8,668,640	7,922,829	19,462,613	20,229,492	5,106,447	4,692,971	7,700,221	6,688,756	1,502,052
Other assets - net	10,178,772	10,178,772	-	-	-	-	-	-	-	-
Operating fixed assets	1,070,417	-	-	-	-	-	-	-	-	1,070,417
	112,328,246	30,286,272	13,064,680	20,215,509	20,229,492	6,114,028	4,692,971	7,700,221	6,688,756	3,336,317
Liabilities										
Bills payable	2,059,979	2,059,979	-	-	-	-	-	-	-	-
Borrowings	51,257,213	12,707,695	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	2,241,818
Deposits and other accounts	8,750,892	8,332,166	-	106,685	309,753	-	-	2,288	-	-
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	27,911,794	27,911,794	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	(45,981)	-	-	-	-	-	-	-	45,981
	93,184,201	50,965,653	-	1,922,070	2,125,138	3,630,770	3,630,770	7,263,828	18,153,850	5,492,122
Net assets	19,144,045	(20,679,381)	13,064,680	18,293,439	18,104,354	2,483,258	1,062,201	436,393	(11,465,094)	(2,155,805)
Share capital	12,522,441	-	-	-	-	-	-	-	-	-
Reserves	1,511,554	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,964,194	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	436,487	-	-	-	-	-	-	-	-	-
	19,434,676	-	-	-	-	-	-	-	-	-

42.8 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 Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analysed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.

With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 28, 2010 by the Board of Directors of the Bank.

44 GENERAL

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

44.2 Captions as prescribed by BSD Circular No. 4 of 2006 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have been reproduced in these financial statements except, for balance sheet and profit and loss account.

44.3 There is no material rearrangement/regrouping made during the year.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

ZARAITARAOIATI BANK LIMITED

"Amexure-I"

STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009

(GENERAL LOAN CASES)

(Rs. In millions)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year				Amount charge off				
					Principal	Interest	Others	Total	Principal	Interest	Others	Total	
1	Mohammad Shaif 119 RB Haseet		35404-4660667-3	Hassan Din	0.273	1.509	-	1.782	-	0.890	-	-	0.890
2	Mian Ali Fiqarhan Mst Shannu Akhtar		294-01-394442	All Mohammad	0.094	1.042	-	1.136	-	0.960	-	-	0.960
3	Bahari Pur Mohammad Arshad		336-12-952300	Abdul Karim	0.084	0.601	-	0.685	-	0.679	-	-	0.679
4	Golab Das Sheena		336-64-113276	Abdul Aziz	0.117	0.471	-	0.588	-	0.587	-	-	0.587
5	Kadhar Gharti Ahtar Hussain		226-41-101816	Ahman	0.073	0.713	-	0.786	0.073	0.713	-	-	0.786
6	Rahim Gali Mst Sairan Bibi		331-003262248-5	Akbar Hussain	0.851	1.185	-	2.036	-	0.980	-	-	0.980
7	Dhannaqi Noor Ahmed Shah		325-46-256969	Mir muhammad	0.607	1.127	-	1.734	0.604	0.055	-	-	0.659
8	Mohammad Moosa H. No.425Gali No.14Siddique		325-61-256697	Riaz Hussin Shah	0.121	0.697	-	0.818	-	0.818	-	-	0.818
9	Mrs Fakhru Nisa 14, 15-D Block 6 F. B. Area		507-13-011607	Mohad Younsf Bahuch	0.469	0.376	-	0.845	-	0.845	-	-	0.845
10	M Khan Ghazi cold Drink Abdull Sah		201-36-061112	Mr Rukmuddin	0.186	0.565	-	0.751	-	0.742	-	-	0.742
11	Cap M. R. Akhtar G-F-3 Block 3 Service Dhs		402-42-0609568	Nazari Mohd	0.276	0.615	-	0.891	-	0.740	-	-	0.740
12	M. Kamran Attique B-13 Block B Gulshan Jamal		507-32-019863	Main Anur Butsch	0.623	0.440	-	1.063	-	1.063	-	-	1.063
13	S. Hashim Raza R-519, Sector 10 Shadman Town		422-011532461-1	Attique Al Krim	0.498	0.051	-	0.549	-	0.549	-	-	0.549
14	S Ajiz R Rizvi B-16, Block -D North Nazimabad		502-31-320410	S. Mustafa Azad	0.794	0.753	-	1.547	-	1.547	-	-	1.547
15	S. Anjad Ali D-35, Al-Azam, Apprt BI-13-A		421-011259137-7	S Raza Rizvi	0.785	0.776	-	1.561	-	1.561	-	-	1.561
16	Abdul Qadir P. K Motors Khalid Bin Walced		422-019856481-1	Wali Muhammad	0.300	0.324	-	0.624	-	0.624	-	-	0.624
17	Jalal Uddin SI 11/1 ISI Floor Block 7 G. 1		210-30-128769	Qamar Uddin	0.772	0.569	-	1.341	-	1.341	-	-	1.341
18	Mirza Mukhtar Baig 679-B mainr Colony		422-011310146-3	Muhammad Farooq	0.288	0.289	-	0.577	-	0.577	-	-	0.577

S/NO	Name and address of the borrower	Name of individual partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year				Amount charge off			
					Principal	Interest	Others	Total	Principal	Interest	Others	Total
19	Muhammad Kaleem Khan H. B-92, Block-13-D-2, Gulshan		422-010767486-1	Muhammad Naseem Khan	0.535	0.187	-	0.722	-	0.722	-	0.722
20	Abdul Rasheed Hana Bang, No 30 BR, 19 G-E-Jo		502-42-445301	Sultan	0.548	0.707	-	1.255	-	1.252	-	1.252
21	Muhammad Salim H. No. 0122/05/5 Kalkot		507-53-093780	Muhammad Ibrahim	0.445	0.477	-	0.922	-	0.922	-	0.922
22	Zulfqar Ali Doh Kadhore		504-55-233931	Abbas Ali	0.130	1.291	-	1.421	-	1.422	-	1.422
23	Mr Ghulam Muhammad Doh-Bhessen Pur		452-46-130051	Karim Dad Khan	1.263	1.875	-	3.138	-	1.321	-	1.321
24	Mst Bibi Kasur Kandh Kam		NA	Mir Ejaz Ali	0.050	0.470	-	0.520	0.050	0.470	-	0.520
25	Nazir Ali Bhoro Jagir		453-35-002222	Mudho Ali	0.143	1.797	-	1.940	0.143	1.512	-	1.655
26	Nazir Ali Bhoro Jagir		358-55-000332	Mudho Ali	0.129	1.536	-	1.665	0.129	1.278	-	1.407
27	Baby Mariam Hattungo		848-55-7093526	Hassan Ali	0.659	0.084	-	0.753	-	0.754	-	0.754
	Baby Madeha Doh Hittungo Tal, Khipro Das, S		485-57-093526	Hassan Ali								
	Hassan Ali Doh Hittungo Tal, Khipro Das, S		485-57-093526	Muhammad Hashim								
	Hassan Ali Doh Hittungo Tal, Khipro Das, S		485-57-093526	Muhammad Hashim								
28	Haji Gul Muhammad Kamber Ali Khan		425-39-006554	Muhammad Hayat	0.083	0.582	-	0.665	-	0.542	-	0.542
29	Ghulam Sarwar H/No. 165 Pir Mulla Kamber Behakani		425-47-022465	Muhammad Hayat	0.083	0.719	-	0.802	-	0.671	-	0.671
30	Pir Muhammad Behakani		403-42-064490	Amin	0.075	0.449	-	0.524	-	0.524	-	0.524
31	Ali Bux Khan Umar Po.& Tal: Kandh Kot		403-22-106412	Nabhid Khan	0.113	0.458	-	0.571	-	0.571	-	0.571
32	Ghulam Sarwar Aman Abad		403-36-142469	Taj Muhammad	0.102	0.595	-	0.697	-	0.697	-	0.697
33	Mehrab Khan Manghi Doh Tal & Po Kandhkot		403-48-183416	Hassan Ali	0.079	0.583	-	0.662	-	0.662	-	0.662
34	Ghulam Qadir Shah Chazi Kandhkot		404-21-097634	Jughri Khan	0.093	0.872	-	0.965	-	0.965	-	0.965
35	Ghulam Akbar Laloo		403-85-027182	Mir Ghulam Khan	0.125	1.081	-	1.206	-	1.206	-	1.206
36	Ganhuar Khan Kandh Kot		403-85-191461	Haji Akbar	0.098	0.683	-	0.781	-	0.781	-	0.781
37	Haji Kunawad Bux Kot Gul Mohd Po Garhi Hassan		404-44-035666	Habibullah Khan	0.089	0.956	-	1.045	-	1.045	-	1.045
38	Muhammad Ishad		431-25-646464	Wilyat Hussain	0.024	0.725	-	0.749	-	0.700	-	0.700

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year					Amount charge off				
					Principal	Interest	Others	Total	Principal	Interest	Others	Total		
39	Makhtiar Ali B City Mohd Ishaque B City		433-48-237075 433-58-177972	Barkat Ali Mohd Ismail	0.077	0.554	-	0.631	-	0.566	-	-	0.566	
40	Khusai Mohammad Tahli		434-09-062355	Subhan	0.091	1.027	-	1.118	-	0.950	-	-	0.950	
41	Mohammad Iqram Khan Dhaki; Tangi; Teh Charsadda		139-58-492722	Haleem Shah Khan	0.111	0.498	-	0.609	-	0.607	-	-	0.607	
42	Haji Mohammad Safdar Khan Ghazo Dheri P/O Tarnab CSD		139-52-463307	Muhammad Umar Khan	0.321	0.473	-	0.794	-	0.793	-	-	0.793	
43	Mst Nigat Shaukat Dannan shahqudar Charsadda SPA Abdul Malik Dannan shahqudar Charsadda		139-85-513623	Wasif Ullah Khan	0.446	0.116	-	0.562	-	0.562	-	-	0.562	
44	Fazal Mehmood Khan PAI		139-86-068275	Meer Din	0.191	0.940	-	1.131	-	0.994	-	-	0.994	
45	Mohammad Aslam Khan Batal		150-88-036524	Muhammad Ismail Khan	0.400	0.472	-	0.872	-	0.872	-	-	0.872	
46	Faizi Mohammad Khan Sakhsot		117-20-095784	Khanward Khan	0.133	0.726	-	0.859	-	0.859	-	-	0.859	
47	Saib Raoul Gusam		108-57-051421	Tajmawl	0.137	0.548	-	0.685	-	0.685	-	-	0.685	
48	Mirfard Karim Mir Dad Karim Pushkan Husain Shopkeeper n Pushka Aina Mohammad C/O United ICE Factory Pasni		521-017474657-9 632-85-029270	Afzal Jan Mohammad	0.254	0.433	-	0.687	-	0.686	-	-	0.686	
					1.600	1.968	-	3.568	-	3.368	-	-	3.368	
					15.848	35.985	-	51.833	0.999	44.230	-	-	45.229	

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPES FIVE HUNDRED THOUSAND
OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009
(PROJECT LOAN CASES)

"Annexure-11"
(Rs. in million)

S/NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year				Amount charge off		
					Principal	Interest	Others	Total	Principal	Interest	Others
1	Al-Rahim Fisheries	Muhammad Murgem Khan	401-49-153853	Abdul Raazq Khoso	6,000	11,310	0,070	17,380	7,841	-	7,841
2	Dusha Live Stock	Ridhaur Ahmed Ch. Khalid Mahmood	288-51-202920	Ahmed Hussain	1,115	0,295	-	1,410	1,410	-	1,410
3	Ferooz Habib Textile	Habibullah Khan Zafarullah Khan	35201-79215763	Miyan Akber Ali	114,579	213,740	-	328,319	114,579	150,971	265,550
4	Kiran Sugar Mills	Ferooz Habib Naseem Habib	35201-14041213	Habibullah Khan	35201-1197307-8	W/O Habibullah Khan	35202-28232457-2	W/O Zafarullah Khan	277-49-119434	S.A. Rahim	M. Saeed
5	Norah Fish Farm	Belaluddin Sheikh Md. Muhammad	45504-2238311-9	Noor Muhammad	479-88-070413	Qazi Muhammad	479-51-000340	Muhammad Khan	42301-14110053	Ch. Muhammad Bano	346-58-270676
6	Pak Green Fertilizer	Ch. Munawar Sadiq Ch. Muhammad Akram	346-90-238295	Muhammad Ramzan	346-88-348822	Muhammad Akram	346-88-348883	Abdul Majeed	281-40-215322	Sheikha Ghulam Muhammad	273-56-218108
7	2nd Floor Dubai Plaza	Mrs. Rubina Akram	346-88-348822	Muhammad Akram	346-88-348883	Abdul Majeed	281-40-215322	Sheikha Fazal Ehsa	281-40-215322	Sheikha Ghulam Muhammad	273-56-218108
8	Punjab Polytrac	Sheikha Muhammad Sharif Sheikha Mezarfar Mahmood	265-50-300554	Nawab Din	281-40-215322	Sheikha Ghulam Muhammad	273-56-218108	Fazal Ehsa Bhatti	267-48-039757	M. Aslam Gundeepur	34301-0936324-4
9	Zingex Agro Services	Muhammad Ali Khan Khalid Taur	346-90-238295	Muhammad Ramzan	346-88-348822	Muhammad Akram	346-88-348883	Abdul Majeed	281-40-215322	Sheikha Ghulam Muhammad	273-56-218108
10	Gilani Live Stock	Hafsa Bashtir S. M. Malikhoshon Gilani	220-49-444499	S. Amir Hussain Gilani	1,001	0,352	-	1,353	1,001	0,352	-
11	Jeevani Enterprises	Dr. Farisatad Said Salah M. Shah	360-32-116170	Syed Ahmed Shah	2,008	1,633	-	3,641	0,947	-	0,947
		Hafiz Mahmood Ul Hasan Zahoor Ul Hassan Khan Syed Maseen Ali Shah Zahira Khatoon Zahid	360-34-022123 360-53-171304 360-53-121261 360-58-282779 360-56-070669	Sardar Shah Nawaz Khan Sardar Shah Nawaz Khan Sardar Shah Nawaz Khan Syed Jafar Shah Syed Kamal Shah	342,511	476,654	0,070	819,215	307,240	377,437	-
											684,667

P.V.
P.W.
225

3650
1875
1700
1070

5400
6170
6945
6900
6630
4685
855
1725

475
300
350

475
190
190
190
1690
1690
1690
1690
190

CONSOLIDATED FINANCIAL STATEMENTS

BDO EBRAHIM & CO.

Chartered Accountants
3rd Floor, Saeed Plaza
22 East, Jinnah Avenue, Blue Area
Islamabad.

HYDER BHIMJI & CO.

Chartered Accountants
2nd Floor, Standard Insurance
House
I.I Chundrigar Road
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **ZARAI TARAQIATI BANK LIMITED** ("the Bank") as at December 31, 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. These financial statements include un-audited certified returns from the branches except for one hundred branches, which have been audited by us. We have also expressed separate opinion on the financial statements of Zarai Taraqiati Bank Limited. The financial statements of subsidiary company, Kissan Support Services (Private) Limited, were audited by BDO Ebrahim & Co. Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on that report.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above referred statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above referred statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above referred statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of the Zarai Taraqiati Bank Limited and its subsidiary company as at December 31, 2009 and result of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to the following matters, reported in the auditors' report of the Bank:

1. Prudential Regulation "O-3" for Corporate/Commercial Banking requires clearance of all outstanding entries in inter-branches/offices current accounts within, a period of 30 days from the date of recording of transactions. We have, however, noted balances in inter-branches/offices current accounts, reported in note 18 to the financial statements on net basis amounting to Rs.544.312 million-Credit Balance (December 31, 2008: Rs.668.141 million - Credit Balance).
2. We draw attention to notes 15.5 and 22.2.14 to the financial statements, which fully explain the status of State Bank of Pakistan (SBP) debt with respect to markup payable by the Bank. As per the already submitted debt restructuring proposal of SBP, the additional markup amounting to Rs. 2.729 billion has not been accounted for by the Bank, due to reason stated in the aforesaid notes. Furthermore, the Bank has not repaid any amount in respect of the SBP debts. Outcome of the decision on this matter may require appropriate adjustment in the provision of accrued markup and classification of liability.
3. Subsequent to the balance sheet date, our country has been devastated by unprecedented floods that are stated to have caused significant damage to the agriculture business of the country. As per management, it would be premature to comment on the impact on the Bank as the assessment of damages and rehabilitation measures are under discussion by the relevant stakeholders. This significant uncertainty has not been disclosed in the notes to the financial statements.

BDO EBRAHIM & CO.

Chartered Accountants

Engagement partner: Abdul Qadeer

Date : September 28, 2010

Place: Islamabad

HYDER BHIMJI & CO.

Chartered Accountants

Engagement partner: Shaikh Mohammad Tanvir

Date : September 29, 2010

Place: Karachi

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009

	Note	2009	2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	2,354,107	1,732,495
Balances with other banks	8	9,679,278	16,005,460
Lendings to financial institutions		-	-
Investments - net	9	7,113,948	4,955,690
Advances - net	10	81,974,021	69,923,497
Operating fixed assets	11	1,073,443	1,144,222
Deferred tax asset - net	12	290,631	-
Other assets - net	13	10,169,957	8,610,449
		112,655,385	102,371,813
LIABILITIES			
Bills payable	14	2,059,979	613,378
Borrowings	15	51,257,213	51,257,213
Deposits and other accounts	16	8,718,645	5,425,170
Sub-ordinated loans	17	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net	12	-	185,557
Other liabilities	18	27,937,327	24,302,912
		93,177,487	84,988,553
NET ASSETS		19,477,898	17,383,260
REPRESENTED BY			
Share capital	19	12,522,441	12,522,441
Reserves	20	1,511,554	1,086,169
Unappropriated profit		5,007,416	3,280,202
		19,041,411	16,888,812
Surplus on revaluation of assets - net of deferred tax	21	436,487	494,448
		19,477,898	17,383,260
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

	Note	2009	2008
		Rupees in '000	
Mark-up / return / interest earned	23	9,075,141	8,484,623
Mark-up / return / interest expensed	24	3,597,576	3,489,411
Net mark-up / interest income		5,477,565	4,995,212
Provision against non-performing loans and advances		2,224,674	1,922,988
Provision for diminution in the value of investment	9.3	-	1,271
Impairment in the value of investment		263	-
Write offs under Government relief packages		2,470	-
Bad debts written off directly		-	-
		2,227,407	1,924,259
Net mark-up / interest income after provisions		3,250,158	3,070,953
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		10,168	4,406
Dividend income		27,986	11,410
Other income	25	6,064,642	5,772,910
Total non mark-up / interest income		6,102,796	5,788,726
		9,352,954	8,859,679
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	5,214,080	4,520,475
Provision against other assets	13.5	53,088	337,061
Provision for stolen fixed assets		-	2,598
Other charges	27	390	912
Total non mark-up / interest expenses		5,267,558	4,861,046
		4,085,396	3,998,633
COMMUTATION TO EMPLOYEES UNDER SR-2005	28	677,821	-
PROFIT BEFORE TAXATION		3,407,575	3,998,633
Taxation - Current	29	1,677,248	1,392,695
- Prior years		37,274	12,606
- Deferred	29	(459,546)	(13,325)
		1,254,976	1,391,976
PROFIT AFTER TAXATION		2,152,599	2,606,657
Unappropriated profit brought forward		3,280,202	1,846,632
Profit available for appropriation		5,432,801	4,453,289
Basic earnings per share (Rupees)	30	1.719	2.082
Diluted earnings per share (Rupees)	31	1.719	2.082

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		Rupees in '000	
PROFIT AFTER TAXATION		2,152,599	2,606,657
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME TRANSFERRED TO EQUITY		2,152,599	2,606,657

Surplus arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

Note	2009	2008
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,407,575	3,998,633
Rental income	(17,422)	(13,489)
Interest income	(19,826)	(13,834)
Dividend income	(27,986)	(11,410)
	<u>3,342,341</u>	<u>3,959,900</u>
Adjustments for non-cash charges:		
Depreciation - tangible	210,092	184,434
Amortization - intangible	25,302	18,333
Amortization of deferred income	(71,112)	(81,579)
Provision against non-performing loans and advances	2,224,674	1,922,988
Provision for diminution in the value of investments	-	1,271
Impairment in the value of investment	263	-
Provision for stolen fixed assets	-	2,598
Provision for employees post retirement benefits	326,654	162,736
Provision against other assets	53,088	337,061
Fixed assets - written off	-	682
Write offs under Government relief packages	2,470	-
Provision for employees' compensated absences	242,096	243,528
Gain on sale of operating fixed assets	(1,566)	(19,428)
	<u>3,011,961</u>	<u>2,772,624</u>
	6,354,302	6,732,524
(Increase) / decrease in operating assets:		
Advances-net	(14,277,668)	(10,533,479)
Others assets - net	(1,182,606)	1,068,603
	(15,460,274)	(9,464,876)
Increase in operating liabilities:		
Bills payable	1,446,601	220,652
Deposits and other accounts	3,293,475	1,102,926
Other liabilities (excluding current taxation)	3,119,595	3,740,559
	7,859,671	5,064,137
Staff retirement benefit payments	(420,994)	(379,689)
Interest income received	19,826	11,928
Income tax paid	(1,706,336)	(381,444)
Net cash flow (used in) / generated from operating activities	<u>(3,353,805)</u>	<u>1,582,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment (held to maturity securities)	(2,233,124)	2,435,895
Rental income received	17,422	13,489
Dividend received	27,986	11,410
Investment in operating fixed assets	(190,693)	(499,983)
Sale proceeds of property and equipment disposed-off	27,644	36,578
Net cash flow (used in) / generated from investing activities	<u>(2,350,765)</u>	<u>1,997,389</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net (decrease) / increase in cash and cash equivalents	(5,704,570)	3,579,969
Cash and cash equivalents at beginning of the year	17,737,955	14,157,986
Cash and cash equivalents at end of the year	<u>12,033,385</u>	<u>17,737,955</u>

The annexed notes from 1 to 44 and Annexures I to II form an integral part of these consolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIYATI BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

	Share capital	Statutory reserve	Contingencies reserve	Revenue Reserve		Total
				Rupees in '000	Unappropriated profit	
Balance as at December 31, 2007	11,869,612	505,911	60,000	1,846,632		14,282,155
Profit for the year ended December 31, 2008	-	-	-	2,606,657		2,606,657
Transfer to statutory reserve	-	520,258	-	(520,258)		-
Issuance of Bonus shares	652,829	-	-	(652,829)		-
Balance as at December 31, 2008	12,522,441	1,026,169	60,000	3,280,202		16,888,812
Profit for the year ended December 31, 2009	-	-	-	2,152,599		2,152,599
Transfer to statutory reserve	-	425,385	-	(425,385)		-
Balance as at December 31, 2009	12,522,441	1,451,554	60,000	5,007,416		19,041,411

The annexed notes from I to 44 and Annexures I to II form an integral part of these consolidated financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

1. THE GROUP AND ITS OPERATIONS**1.1 Status**

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited was incorporated as a public limited company under the Companies Ordinance, 1984 on October 23, 2002. Consequently, under SRO 823 (1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan 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. 8.9 billion. The Group's principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Group operates 347 (December 31, 2008: 342) branches in Pakistan as at close of the year.

The group consist of Zarai Taraqati Bank Limited and subsidiary Kissan Support Services (Private) Limited.

1.2 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

The State Bank of Pakistan (SBP) vide Banking Surveillance Department (BSD) Circular No. 4 dated February 17, 2006 has issued 'Revised forms of Annual consolidated financial Statements'. These consolidated financial statements have been presented in accordance with such revised form.

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Zarai Taraqati Bank Limited and its subsidiary with 100 % holding(2008: 100%)

Subsidiary is that enterprise in which parent company directly or indirectly controls, beneficially owns or hold more than 50% of the voting securities or otherwise beneficially owns or hold 50% of its directorship. The financial statements of the subsidiary are included in the consolidated financial statements from the date of control commencement until the control cessation.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investments held by the parent company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions of directives given in the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 shall prevail.

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) through BSD Circular No. 10 dated August 23, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS-7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been presented in accordance with the requirements of various circulars issued by SBP.

3.3 Standards, amendments and interpretations not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (accounting periods beginning on or after)
IFRS - 2	Share-based Payments	January 1, 2010
IFRS - 3	Business Combinations	July 1, 2009
IAS - 24	Related Party Disclosures	January 1, 2011
IAS - 27	Consolidated and Separate Financial Statements	July 1, 2009
IAS - 32	Financial Instruments: Presentation-Classification of Rights Issues	February 1, 2010
IFRIC - 14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and other Interaction	January 1, 2011
IFRIC - 15	Agreements for the Construction of Real Estate	October 1, 2009
IFRIC - 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

Benazir Employee Stock Option Scheme was approved by the Cabinet of Government of Pakistan (GoP) on August 5, 2009 effective from August 14, 2009. This scheme empowers employees of State Owned Enterprises (SOEs)/other GoP share holdings through transfer of twelve percent (12%) of the GoP shareholding and a seat on the board. The Bank has also been named in the SOE for the purposes of this scheme. The financial reporting implications of the amendment in IFRS 2 relating to the scheme is under consideration of the Institute of Chartered Accountants of Pakistan.

4 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments (Note 9) and in conformity with the accepted accounting practices of the banking institutions in Pakistan.

These consolidated 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires 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 on future events that are believed to be reasonable under these circumstances. The areas where various assumptions and estimates are significant to the Bank's consolidated financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

5.1 Classification of investments

As described in Note 6.5, held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuation in market price while held to maturity are investments where the management has positive intent and ability to hold 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 securities involves management judgment at the time of purchase whether the financial assets are held for trading, held to maturity or available for sale investments.

5.2 Provision against advances

The amount of provision is determined in accordance with the relevant SBP prudential regulations and management's judgment.

5.3 Defined benefit plans

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension and salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

5.4 **Operating fixed assets**

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

5.5 **Depreciation and amortization of operating fixed assets**

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is change in the expected pattern of consumption of the future economic benefit embodied on the assets, the method is changed to reflect the changed pattern. Such change is accounted for as a change in accounting estimate in accordance with the IAS-8, 'Changes in Accounting Estimates and Errors'.

5.6 **Taxation**

In making the estimates for income taxes 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.

6 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these consolidated financial statements are set out below.

6.1 **Staff retirement benefits**

The Group operates the following staff retirements benefits for its employees:

Pension scheme

The Group operates defined benefits funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the employees benefits scheme, introduced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively. The Group's costs are determined on the basis of actuarial valuation carried out by independent actuaries by using 'Projected Unit Credit Method'. Any surplus/deficit arising on actuarial valuation in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets, is recognized as income or expense over the estimated working lives of the employees.

Gratuity scheme

The Group operates defined benefits funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the 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. Any surplus/deficit arising on actuarial valuation by independent actuaries in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

Provident fund scheme

The Group operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees benefits 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 Group. The Group also operates non-contributory provident fund for its employees who opted for the new employees benefits 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.

Benevolent scheme

The Group also has two funded defined benefits 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 Group. The Group which is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

Post retirement medical benefits

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

6.2 Employees compensated absences

The Group 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 consolidated 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 Project Unit Credit method.

6.3 Cash and cash equivalents

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

6.4 Advances

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery while advances are charged off in accordance with the Prudential Regulations issued by the SBP.

6.5 Investments

The Group classifies its investments as follows:

Held-for-Trading

These are securities acquired principally for the purpose of generating profits from short term fluctuations in market price.

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 subsidiaries which do not fall under the 'Held-for-Trading' and 'Held to-Maturity' categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity, are valued at fair value. Investments classified as held to maturity are carried at amortized cost. The surplus/deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Investments in un quoted securities are carried at lower of cost and break-up value less impairment loss, if any.

In case of held to maturity securities, the difference between the face value and purchase price is amortized over the remaining life of the investment using effective yield method, in order to determine amortized cost.

Gains or losses on disposals of investments are dealt with through profit and loss account in the year in which they arise.

6.6 Operating fixed assets and depreciation/amortization

Property and equipment except free hold land and capital work in progress is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Free hold land and capital work in progress is stated at cost.

Depreciation is computed over the estimated useful lives of the related assets to be the rates set out in note 11. Depreciation is charged on reducing balance method except for vehicles, computer equipment and lease hold 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 balance sheet 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 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.

6.7 Intangible Assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized for the proportionate period for which the asset remains in use, using the straight line method, whereby the costs of the intangible assets are amortized over its useful life over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

6.8 Impairment

The carrying value of assets are reviewed at each balance sheet 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, 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 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.

6.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rate after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments where 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 balance sheet 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.

6.10 Borrowings / Deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

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

6.11 Revenue recognition

Markup/interest on advances and returns on investments are recognized on an accrual basis except markup/interest on classified advances which is recognized on a receipt basis, in accordance with the prudential regulations issued by the SBP.

Commission income is recognized when earned.

Profit/(loss) on sale of investments is credited/charged to profit and loss account currently.

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

Rental income is accounted for on accrual basis.

6.12 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 balance sheet date and are adjusted to reflect current best estimate.

6.13 Foreign currencies

Transaction in foreign currencies are translated to Rupees at the foreign currency rate prevailing on the transaction date.

6.14 Financial assets and financial liabilities

All the financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

6.15 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated 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.

6.16 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.

6.17 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 period / 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. There were no convertible dilutive potential ordinary shares in issue at December 31, 2009.

Local Currency

In hand		489,936	517,907
Prize bonds		925	616
In current accounts with:			
State Bank of Pakistan	7.1	1,863,244	1,213,970
National Bank of Pakistan		2	2
		<u>2,354,107</u>	<u>1,732,495</u>

7.1 This represents cash reserves at the rate of 5% of the Bank's demand liabilities and deposits with maturity upto one year in Pakistan, at nil return. Cash reserve is required to be maintained with State Bank of Pakistan under section 22 of Banking Companies Ordinance, 1962 and Banking Surveillance Department Circular No. 25 dated October 17, 2008.

8 BALANCES WITH OTHER BANKS

In Pakistan in local currency:

In current accounts		25,111	36,826
In deposit accounts	8.1	<u>9,654,167</u>	<u>15,968,634</u>
		<u>9,679,278</u>	<u>16,005,460</u>

8.1 These carry mark-up ranging from 5.00% to 15.25% per annum (2008: 5.00% to 21.5% per annum)

9 INVESTMENTS - NET**9.1 Investment by types**

	Note	2009			2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000							
Available-for-Sale securities							
Listed companies	9.5	90,031	-	90,031	90,294	-	90,294
Un-listed companies	9.6.4	10,523	-	10,523	10,523	-	10,523
		100,554	-	100,554	100,817	-	100,817
Held-to-Maturity securities							
Market Treasury Bills	9.4	5,233,735	-	5,233,735	3,244,454	-	3,244,454
Pakistan Investment Bonds	9.4	1,004,944	2,637	1,007,581	1,044,645	2,743	1,047,388
Certificates of Investment	9.7	283,650	-	283,650	-	-	-
		6,522,329	2,637	6,524,966	4,289,099	2,743	4,291,842
Total investments		<u>6,622,883</u>	<u>2,637</u>	<u>6,625,520</u>	<u>4,389,916</u>	<u>2,743</u>	<u>4,392,659</u>
Provision for diminution in value of investments	9.3	(11,108)	-	(11,108)	(11,108)	-	(11,108)
Investments (Net of provisions)		<u>6,611,775</u>	<u>2,637</u>	<u>6,614,412</u>	<u>4,378,808</u>	<u>2,743</u>	<u>4,381,551</u>
Surplus on revaluation of Available-for-Sale securities	21	499,536	-	499,536	574,139	-	574,139
Total investments at revalued amount - net of provision		<u>7,111,311</u>	<u>2,637</u>	<u>7,113,948</u>	<u>4,952,947</u>	<u>2,743</u>	<u>4,955,690</u>

9.2 Investment by segments

Federal government securities

Market Treasury Bills	9.4	5,233,735	3,244,454
Pakistan Investment Bonds	9.4	1,007,581	1,047,388
Federal Investment Bonds		-	-
		6,241,316	4,291,842

Fully paid up ordinary shares:

Listed companies	9.5	90,031	90,294
Un-listed companies	9.6	10,523	10,523
		100,554	100,817

Certificates of investment

	9.7	283,650	-
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Total investment at cost

		6,625,520	4,392,659
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Provision for diminution in value of investments

	9.3	(11,108)	(11,108)
--	-----	----------	----------

Investments (net of provisions)

		6,614,412	4,381,551
--	--	-----------	-----------

Surplus on revaluation of available-for-sale securities

	21	499,536	574,139
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Total investments at market value

		7,113,948	4,955,690
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9.3 Particulars of provision

Opening balance		11,108	9,837
Charge for the year		-	1,271
Reversals		-	-
Closing balance		11,108	11,108

9.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities-(listed securities)		585	585
Available-for-sale securities-(un-listed securities)		10,523	10,523

9.4 Principal terms of investments in federal government securities

Name of investment	Maturity	Note	Principal payment	Rate %	Coupon payment
Market Treasury Bills	January 2010 to April 2010	9.4.1	On maturity	11.95 to 13.30	at maturity
Pakistan Investment Bonds	August 2011 to December 2011	9.4.1	On maturity	12 to 13	semi-annually

9.4.1 Market treasury bills and Pakistan Investment Bonds are held by the Group which also covers statutory liquidity reserve requirements calculated on the basis of domestic demand and time liabilities.

9.4.2 Pakistan Investment Bonds having amortised cost of Rs. 2.637 million (December 31, 2008: Rs. 2.743 million) are pledged/lodged with SBP as security for Telegraphic Transfer/Demand Draft discounting facility obtained for branches.

9.5 Particulars of investments held in listed companies

	No. of ordinary shares		Paid up value/share Rupees	Name of companies	2009	2008
	2009	2008			Rupees in '000	
	430,551	430,551	10	Nestle Milkpak Limited	89,296	89,296
				Uqab Breeding Farm Limited		
	450,000	450,000	10	9.5.2	585	585
	150,000	150,000	10	Mubarak Dairies Limited	150	413
				Dadabhoj Agricultural Leasing Limited		
	300,000	300,000	10	9.5.1	-	-
					90,031	90,294

9.5.1 Dadabhoj Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rs. 2.50 against its face value of Rs. 10 per share.

9.5.2 Uqab Breeding Farm Limited is under suspension since April 9, 2007. At the date of suspension, its market value per share was nil against its face value of Rs. 10 per share.

9.5.3 Market value of listed investment is Rs. 536.599 million.

9.6 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value	Based on audited financial statements as at	Name of chief executive/ managing director
Rupees in '000					
National Commodity Exchange Limited	9.09%	909,091	(12,389)	June 30, 2009	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited-net 9.6.1 & 9.6.3	33.33%	1,000,000	-	-	Mr. M. Asad Khan
Pakistan Agricultural Storage and Services Corporation Limited-net	8.33%	2,500	52,383	March 31, 2009	Maj.Gen.(R) F.A.Khan
Larkana Sugar Mills Limited-net 9.6.2 & 9.6.3	6.36%	141,970	-	-	Mr. Anwar Majeed

9.6.1 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan and the case has been referred to National Accountability Bureau.

9.6.2 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

9.6.3 Investment in Saudi Pak Kalabagh Livestock Limited and Larkana Sugar Mills Limited are stated at book value due to non-availability of required information for the calculation of breakup value. Moreover, these investments are fully provided for in these financial statements.

9.6.4 Carrying value of un-listed investments is Rs. 10.523 million and face value of investment in un-listed securities is Rs. 35.788 million.

9.7 Particulars of Certificates of Investments

Name of investee	Credit Rating	Maturity	Principal payment %	Rate % per annum	Coupon payment
Pak Libya Holding Company (Private) Limited	AA-/A1+	January 2010	on maturity	12.75	at maturity

9.8 Quality of Available-for-Sale securities

	2009		2008	
	Amount Rupees in '000	Credit Rating	Amount Rupees in '000	Credit Rating
Nestle Milk Pak Limited	89,296	Unrated	89,296	Unrated
Uqab Breeding Farm Limited	585	Unrated	585	Unrated
Mubarik Dairies Limited	150	Unrated	413	Unrated
National Commodity Exchange Limited	10,523	Unrated	10,523	Unrated
	<u>100,554</u>		<u>100,817</u>	

10 ADVANCES - NET

	Note	2009	2008
Rupees in '000			
Loans, cash credits, running finances, etc. In Pakistan - gross	10.1	89,396,507	77,770,248
Less:			
Provision for non-performing advances	10.2	(7,401,719)	(7,806,237)
Provision for advances to employees		(20,767)	(40,514)
		<u>(7,422,486)</u>	<u>(7,846,751)</u>
Advances-net of provision		<u>81,974,021</u>	<u>69,923,497</u>

10.1 Particulars of advances (Gross)

10.1.1 In local currency		<u>89,396,507</u>	<u>77,770,248</u>
10.1.2 Short term		59,439,043	57,405,793
Long term		<u>29,957,464</u>	<u>20,364,455</u>
		<u>89,396,507</u>	<u>77,770,248</u>

10.2 Advances include Rs. 14,086.126 million (December 31, 2008: Rs. 12,985.615 million) which have been placed under non-performing status as detailed below:

Category of classification	2009			2008		
	Rupees in '000			Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other Assets Especially Mentioned	7,345,153	-	-	6,039,362	-	-
Substandard	2,037,036	407,404	407,404	1,666,295	333,255	333,255
Doubtful	1,419,238	709,616	709,616	1,613,945	806,969	806,969
Loss	3,284,699	3,284,699	3,284,699	3,666,013	3,666,013	3,666,013
	14,086,126	4,401,719	4,401,719	12,985,615	4,806,237	4,806,237
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	14,086,126	4,401,719	7,401,719	12,985,615	4,806,237	7,806,237

10.3 Particulars of provision against non-performing advances

	Note	2009			2008		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		4,806,237	3,000,000	7,806,237	6,221,928	3,000,000	9,221,928
Charge for the year		4,489,682	-	4,489,682	4,927,766	-	4,927,766
Reversals		(2,245,262)	-	(2,245,262)	(3,039,800)	-	(3,039,800)
Amounts written off	10.4	-	-	-	-	-	-
Amounts charge off	10.5	(2,648,938)	-	(2,648,938)	(3,303,657)	-	(3,303,657)
Closing balance		4,401,719	3,000,000	7,401,719	4,806,237	3,000,000	7,806,237

10.3.1 Particulars of provision against non-performing advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	4,401,719	3,000,000	7,401,719	4,806,237	3,000,000	7,806,237

10.4 Particulars of write offs

10.4.1 Against provisions

	Note	2009	2008
Rupees in '000			
Write offs of Rs 500,000 and above	10.6	-	-
Write offs of below Rs 500,000		-	-
		-	-

10.5 Particulars of Charge Offs

10.5.1 Against provisions

		2,648,938	3,303,657
10.5.2 Charge offs of Rs 500,000 and above		-	-
Charge offs of below Rs 500,000		2,648,938	3,303,657
	10.7	2,648,938	3,303,657

have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended December 31, 2009 no write-off or any other financial relief of five hundred thousand rupees or above was allowed to any person(s).

10.7 Particulars of charge off

In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2009 was Rs 34,982 million (Rs. 36,304 million as at December 31, 2008) with an addition of Rs. 2,649 million (Rs. 3,304 million for the year ended December 31, 2008) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand in respect of general loan and project loan are given at Annexure-I and II respectively.

10.8 Particulars of loans and advances

To directors, executives and officers

Debts due by the directors, executives and officers of the bank or any of them either severally or jointly with other person.

	2009	2008
	Rupees in '000	
Balance at the beginning of year	2,015,442	2,001,079
Loans granted during the year	888,471	735,501
	<u>2,903,913</u>	<u>2,736,580</u>
Repayments	(481,606)	(721,138)
Balance at the end of year	<u>2,422,307</u>	<u>2,015,442</u>

To associated companies

Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members

	Note	2009	2008
		Rupees in '000	
Balance at the beginning of year		-	-
Repayments/write offs		-	-
Balance at the end of year		<u>-</u>	<u>-</u>

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	4,637	-
Property and equipment	11.1	1,034,787	1,084,901
Intangible assets	11.2	34,019	59,321
		<u>1,073,443</u>	<u>1,144,222</u>

11.1 Capital work-in-progress

Consultancy Charges	4,368	-
Others	269	-
	<u>4,637</u>	<u>-</u>

Particulars	Book value at January 1, 2009	Additions	(Deletions)/ adjustments C O S T	Provision for stolen asset	Change for the year		(Deletions)/ adjustments	Provision for stolen asset	Book value at December 31, 2009	Rate of Depreciation
					D E P R E C I A T I O N	D E P R E C I A T I O N				
Free hold land	170,961	-	-	-	-	-	-	-	170,961	-
Lease hold land	8,252	-	-	-	(398)	-	-	7,854	Lease terms for 33 to 99 years	
Building on free hold land	101,279	-	-	-	(5,064)	-	-	96,215	5%	
Building on leasehold land	224,592	4,709	-	-	(12,939)	-	-	216,361	5%	
Building on leasehold land - ADB	20,580	-	-	-	(1,029)	-	-	19,551	5%	
Furniture and fixtures	37,949	26,629	(2,862)	-	(5,668)	888	-	56,906	10%/20%	
Computer, office and other equipments	74,622	73,157	6,824	-	(40,586)	5,999	-	120,016	20/33,33%	
Computer, office and other equipments - ADB	111,162	-	(12,992)	-	(45,047)	3,331	-	56,454	20/33,33%	
Vehicles	335,504	84,159	(36,601)	(3,212)	(99,361)	9,365	615	290,469	20%	
2009	1,084,901	188,654	(45,631)	(3,212)	(210,092)	19,553	615	1,034,787		

Particulars	COST			AMORTIZATION				Book value at December 31, 2009	Rate of Amortization	
	At January 1, 2009	Additions	adjustments	At December 31, 2009	At January 1, 2009	Charge for the year	adjustments			At December 31, 2009
Computer software	799	-	-	799	241	266	-	507	292	33.33%
Computer software - ADB	80,500	-	-	80,500	21,737	25,036	-	46,773	33,727	33.33%
2009	81,299	-	-	81,299	21,978	25,302	-	47,280	34,019	
					Rupees in '000					
Computer software	5,543	649	(3,393)	799	3,645	213	(3,617)	241	558	33.33%
Computer software - ADB	-	75,107	5,393	80,500	-	18,120	3,617	21,737	58,763	33.33%
2008	5,543	75,756	-	81,299	3,645	18,333	-	21,978	59,321	
					Rupees in '000					

11.4 Carrying amount of temporarily idle property 29,534 29,534

11.5 The title documents of freehold land amounting to Rs. 88,678 million and leasehold land amounting to Rs. 5,765 million are still in the name of Agricultural Development Bank of Pakistan.

11.6 The lease tenure of leasehold lands amounting to Rs. 3,450 million have expired and are not yet renewed.

11.7 During the year ended December 31, 2009, no asset has been disposed off, other than to related parties whose original cost or the book value exceeded one million and two hundred fifty thousand rupees respectively, whichever is lower.

11.8 The information relating to the disposal of asset to the related parties is disclosed as under;

List of vehicles disposed off to the related parties during the year

Sr. No.	Particular of Assets	Purchase price	Accumulated depreciation	Book Value	Sale Proceed	Gain/(loss) on sale	Particulars of Purchaser
1	KH-450, Toyota Corrolla XLI	825,000	372,632	452,368	452,368	-	Riaz Mehmood Qureshi, EVP
2	KX-781, Toyota Corrolla XLI	555,000	243,921	311,079	311,079	-	Shafqat Ahmed, VP
3	KH-414, Toyota Corrolla XLI	615,000	350,466	264,534	264,534	-	Akbar Ahmed Khalid, SVP
4	KJ-295, Toyota Corrolla GLI	879,000	472,485	406,515	406,515	-	M.Tasneem, SEVP
5	KU-854, Suzuki Cultus VXR	555,000	305,935	249,065	249,065	-	Muhammad Ramzan, SVP
6	KK-803, Honda City	555,000	318,403	236,597	236,597	-	Farrukh Abbas, SVP
7	KH-581, Suzuki Liana	615,000	372,033	242,967	242,967	-	Mureed Kazim Shah, SVP
8	KU-513, Suzuki Cultus VXL	615,000	336,649	278,351	278,351	-	M.Imtiaz Malik, SVP
9	KK-801, Honda City	555,000	318,403	236,597	236,597	-	Mehmood Karim Qureshi, SVP
10	KF-924, Honda Civic VTI	555,000	331,480	223,520	223,520	-	M.Sohaib Farooq, SVP
11	KH-271, Suzuki Liana	555,000	355,200	199,800	199,800	-	A.D.Abid, SVP
12	KH-154, Suzuki Cultus VXL	615,000	398,318	216,682	216,682	-	Tariq Rashool, SVP®
13	MS-162, Toyota Corrolla XLI	585,000	217,331	367,669	367,669	-	Saleem Akhtar Butt, VP®
14	KV-149, Suzuki Cultus VXR	595,000	362,711	232,289	232,289	-	Javed Ali Qureshi, SVP®
15	KU-416, Suzuki Cultus VXL	555,000	354,287	200,713	200,713	-	Akhlis Masood, SVP®
16	NB-643, Toyota Corrolla XLI	585,489	175,807	409,682	409,682	-	Wajid Ali Shah, VP
17	KK-802, Honda City	555,000	355,504	199,496	199,496	-	Majid Mehmood, SVP
18	KX-168, Toyota Corrolla XLI	555,000	327,222	227,778	227,778	-	Ikram-ul-Haq, SVP
19	A-0247, Suzuki Cultus VXL	555,000	317,795	237,205	237,205	-	Waliullah Bhutto, SVP
20	KK-520, Suzuki Liana	555,000	346,077	208,923	208,923	-	Khalid Mehmood, SVP
		12,034,489	6,632,659	5,401,830	5,401,830	-	

12 DEFERRED TAX ASSET/(LIABILITY) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

Taxable timing differences on:

Accelerated tax depreciation		(112,068)	(105,866)
Surplus on revaluation of assets	21	<u>(63,049)</u>	<u>(79,691)</u>
		(175,117)	(185,557)

Deductible timing differences on:

Provision against non-performing loans and advances		465,748	-
		<u>290,631</u>	<u>(185,557)</u>

13 OTHER ASSETS - NET

Income/mark-up accrued on deposits in local currency		207,097	190,972
Income/mark up accrued on held to maturity securities		241,389	201,169
Accrued interest/markup on advances *		3,467,504	2,939,300
Stationery and stamps on hand		33,667	22,764
Amount recoverable from Federal Government	13.1	178,728	-
Tax recoverable	22.2.4	391,751	382,755
Non banking assets acquired in satisfaction of claims	13.2	357,801	352,417
Receivable from defined benefit plans	13.3	5,477,019	4,747,116
Stock of farm machinery		13,146	13,163
Advances against salary and expenses		7,357	5,601
Deposits		1,768	1,767
Advances and other prepayments		204,737	115,697
Others	13.4	18,616	16,235
		10,600,580	8,988,956
Less: Provision held against other assets	13.5	<u>(430,623)</u>	<u>(378,507)</u>
Other assets (net of provisions)		<u>10,169,957</u>	<u>8,610,449</u>

* This does not includes Rs. 2,251,827 million (2008: Rs. 2,212,018 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.

13.1 This represents amount recoverable from Federal Government on account of crop loan insurance premium and subsidy on Benazir Tractor Scheme.

13.2 Market value of non-banking assets acquired in satisfaction of claims is Rs. 626.546 million (2008: Rs. 631.890 million).

	Note	2009	2008
Rupees in '000			
13.3 Receivable from defined benefit plans			
Pension scheme	35.1.5	4,050,684	3,002,143
Benevolent scheme-officers/executives	35.2.5	303,138	247,497
Benevolent scheme-clerical/non-clerical	35.3.5	82,461	42,588
Gratuity scheme-Staff Regulations 1975	35.4.1.5	1,040,736	1,454,888
	13.3.1	<u>5,477,019</u>	<u>4,747,116</u>

13.3.1 It represents assets recognized by the Group as required by International Accounting Standard-19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuaries.

	Note	2009	2008
Rupees in '000			
13.4 Others			
Defence saving certificates		3	3
Advance for purchase of machinery/goods in transit		17	17
Legal charges recoverable on suits filed against loan defaulters		16,044	16,205
Miscellaneous		2,552	10
		<u>18,616</u>	<u>16,235</u>

13.5 Provision held against other assets

Opening balance		378,507	2,149,127
Charge for the year		53,088	337,061
Amount written off	13.5.1	<u>(972)</u>	<u>(2,107,681)</u>
Closing balance		<u>430,623</u>	<u>378,507</u>

13.5.1 The Group announced Staff Regulation-2005 under which 100% commutation were paid to those who opted for SR-2005. ADB vide its Aide-Memoire 13-March 29, 2006 supported the introduction of SR-2005 and use of the remaining loan proceeds from the second tranche for this purpose on the GoP confirmation with regard to the use of remaining second tranche programme loan proceeds for the implementation of the SR-2005.

14 BILLS PAYABLE

In Pakistan		2,059,979	613,378
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15 BORROWINGS

In Pakistan	15.1	51,257,213	51,257,213
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15.1 Particulars of borrowings with respect to currencies

In local currency	15.2	51,257,213	51,257,213
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15.2 Details of borrowings from financial institutions - secured

Borrowing from State Bank of Pakistan

Agricultural loans	15.3 & 15.5	50,174,089	50,174,089
Agri-project loans	15.4 & 15.5	1,083,124	1,083,124
		51,257,213	51,257,213

15.3 As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rs. 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rs. 48.597 billion are based on profit and loss sharing subject to maximum share of profit to SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of Government of Pakistan (GoP).

15.4 These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP.

15.5 As a part of restructuring process the Bank in the year 2003 submitted a proposal to the SBP for restructuring of the total debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years. SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 agreed with proposed terms except the proposed capping of markup rate which was suggested to be fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year. Due to the disagreement on the issue of terms of mark up this proposal could not be implemented.

Therefore, mark up/interest on above debt is being charged to consolidated profit and loss account as per original terms of agreement.

In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank the matter was discussed in the meeting held on January 16, 2008 between the representatives of Ministry of Finance (MoF), the Bank and the State Bank of Pakistan and also in meetings held thereafter, it was resolved that SBP in consultation with the Bank and MoF shall firm up proposal regarding SBP's debt on priority basis. Accordingly, SBP submitted a proposal pertaining to ZTBL debt restructuring vide letter No. DG/29/08 dated November 8, 2008.

In this regard MoF vide their letter No. F.1(5)1F-1/2007-1217 dated September 28, 2009 has advised that Finance Division, SBP and ZTBL will work out a revised proposal to rationalize debt structure of the ZTBL. As per GoP directive, State Bank of Pakistan has presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated October 27, 2009. However, ZTBL has requested MoF vide its letter No. 2932 dated November 20, 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated April 08, 2010 that agreed upon SBP debt restructuring proposal dated November 08, 2008 may be implemented.

16 DEPOSITS AND OTHER ACCOUNTS

Note Rupees in '000

Customers - local currency

Fixed deposits		475,733	290,441
Saving deposits		2,810,748	620,690
Current accounts - remunerative		195,807	214,827
Current accounts - non-remunerative		5,200,839	4,244,841
Others		36,518	54,371
		<u>8,718,645</u>	<u>5,425,170</u>

17 SUB-ORDINATED LOAN

As per restructuring plan of the Group approved by the ECC of the Cabinet, SBP's equity holding of Rs. 3.204 billion was converted into subordinated loan on terms to be agreed with SBP. Accordingly, the Group has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years. As explained in Note 15.5, this proposal could not be implemented and a fresh proposal from SBP is in the process of consideration for finalization.

In the meantime, mark up on sub-ordinated debt is being charged at weighted average yield of Government Treasury Bills of 12 months maturity on floating basis every year.

Note 2009 2008
Rupees in '000

18 OTHER LIABILITIES

Mark-up payable in local currency		19,535,500	16,096,917
Accrued expenses		56,596	62,821
Taxation (provisions less payments)		2,071,824	2,054,642
Branch adjustment		544,312	668,141
Payable to defined benefit plans	18.1	88,353	123,039
Payable to Ministry of Food Agriculture and Livestock	18.2	176,100	177,567
Profit payable on deposits and other accounts		59,513	32,224
Net liabilities relating to Bangladesh	18.3	189	189
Provision for employees' post retirement medical benefits	35.5.5	3,812,486	3,503,577
Provision for employees' compensated absences	35.6	1,194,349	952,253
Security deposits		21,044	210,442
Deferred income	18.4	136,000	207,112
Others	18.5	241,061	213,988
		<u>27,937,327</u>	<u>24,302,912</u>
18.1 Payable to defined benefit plans			
Benevolent scheme-clerical/non-clerical	35.3.5	-	-
Gratuity scheme-SR-2005	35.4.2.5	88,353	123,039
		<u>88,353</u>	<u>123,039</u>

- 18.2 This represents the amount of Rs. 8.100 million (2008: Rs. 9.567 million) and Rs. 168 million (2008: Rs. 168 million) payable to Ministry of Food Agriculture and Livestock under Japanese KR-II grant-1996 and Crop Maximization Project-productivity enhancement on sustainable basis.

Note	2009	2008
	Rupees in '000	

18.3 Liabilities relating to Bangladesh

Liabilities		1,460,825	1,431,535
Assets		(1,460,636)	(1,431,346)
18.3.1		<u>189</u>	<u>189</u>

- 18.3.1 This represents the amount relating to the activities of the Group 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 Group has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP and instead of carrying the interest to profit and loss account, will show it in the balance sheet only. The Group is accruing interest at the rate of 8% on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

Note	2009	2008
	Rupees in '000	

18.4 Deferred Income

Balance as at January 1		207,112	9,375
Additions during the year		-	279,316
Amortization during the year	25	(71,112)	(81,579)
Balance as at December 31	18.4.1	<u>136,000</u>	<u>207,112</u>

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

- 18.5 This represents various payables which includes withholding tax, contribution received from borrowers etc.

19 SHARE CAPITAL

19.1 Authorized Capital

2009	2008	Note	2009	2008
Number of shares			Rupees in '000	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

19.2 Issued, subscribed and paid up

2009	2008	Note	2009	2008
Number of shares			Rupees in '000	
1,186,961,201	1,186,961,201	Ordinary shares of Rs. 10 each	11,869,612	11,869,612
65,282,866	65,282,866	Fully paid in cash	652,829	652,829
<u>1,252,244,067</u>	<u>1,252,244,067</u>	Issued as bonus shares	<u>12,522,441</u>	<u>12,522,441</u>

19.3 Shareholder

Shareholder	No of ordinary shares	Paid-up value per share	2009	2008
			Rupees in '000	
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	1,256	1,256
Government of NWFP	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

20 RESERVES

	Statutory reserve	Contingencies reserve	Total
	Rupees in '000		
Balance as at January 1, 2009	1,026,169	60,000	1,086,169
Transfer from unappropriated profit	425,385	-	425,385
Balance as at December 31, 2009	1,451,554	60,000	1,511,554

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

20.2 The Group has set aside contingency reserve for insurance of cash, building and vehicles.

2009 **2008**
Rupees in '000

21 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

Surplus arising on revaluation of available-for-sale securities

Quoted shares

447,153	485,031
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Other securities

52,383	89,108
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499,536	574,139
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Less: Related deferred tax liability

(63,049)	(79,691)
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436,487	494,448
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22 CONTINGENCIES AND COMMITMENTS**22.1 Contingent assets**

22.1.1 The Government of Pakistan has reduced the markup rates on Group's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. July 01, 2004. As per the directive of the Group's Board of Directors, the Group has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect has provisionally been worked out at Rs. 17,744 million for the period from July 01, 2004 to December 31, 2009 (Rs. 13,569 million: up to December 31, 2008). However, this amount has not been accounted for in the accounts as the formal approval from Ministry of Finance has not been received by the Group.

22.1.2 There is a contingent gain of an amount of Rs. 756.272 million receivable from the Federal Government on account of President Relief Package announced on May 5, 2007 for the small borrowers of the Group at Badin, Umerkot and Tharparkar districts which were outstanding as at April 30, 2007. Total amount receivable from the Federal Government was Rs. 956.272 million which was duly certified by a professional firm of Chartered Accountants.

22.2 Contingent liabilities

22.2.1 The appointment of the President of the Bank has been challenged before the Honourable Lahore High Court, Lahore, pending adjudication. The management of the Bank, however considers that there is no lacuna / deficiency in such appointment resulting no financial impact of it on the financial statements.

2009 **2008**
Rupees in '000

22.2.2 Contingent liabilities in respect of 587 cases (December 31, 2008: 565 cases) filed against the Group by various borrower.

18,232,419	7,922,956
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22.2.3 Contingent liability in respect of 440 cases (December 31, 2008: 440 cases) filed against the Group in various courts of law by the employees.

271,112	215,837
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22.2.4 There is a contingency of an amount of Rs 297.149 million on account of minimum income tax levied by the income tax authorities under Section 80-D of Income Tax Ordinance, 1979, for assessment years 1991-92 to 1998-99. The income of the Bank was exempt from tax up to income year ended June 30, 1999. The Bank paid, under protest, the disputed tax demand and also filed writ petition in this respect in Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the petition on 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 Central Board of Revenue disagreed with the aforesaid decision and has further taken up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision. Last hearing with the AGP was on 26.02.2009. The advice/decision of the AGP is still awaited. Since the Bank is very confident for a favorable decision from the AGP. Hence, no provision has been recorded in this respect.

- 22.2.5** Income Tax Department under section 89/205 of the ITO-1979 levied income tax amounting to Rs.11.243 million for the assessment year 2001-2002. The Bank had to pay the amount as it was a mandatory payment. ZTBL has filed appeals before the CIT(A). The Bank has not accounted for the tax amounting to Rs.11.243 million as it is expected that the demand would not materialize.
- 22.2.6** Income tax of Rs.1,123.901 million was levied by the Income Tax Department for Assessment Year 2002-03 on a remanded back case by ITAT. The Bank has filed an appeal before the CIT(A) against the order of assessing Officer. Pending the outcome of the decision, the Bank has not accounted for the incremental amount of tax and contingent liability as it is confident that the same will not crystallize.
- 22.2.7** Income tax of Rs.1,457.555 million and further an amount of Rs. 317.482 million was levied by the Income Tax Department for tax year 2003, against provision of Rs. 6.873 million in the books of account. The CIT(A) in his orders favouring the appeal of the Bank reduced the tax amount of Rs 1,457.555 million to Rs. 1,036.570 million and further demand of Rs. 317.482 million to 235.172 respectively. The Bank has filed an appeal before the ITAT. The ITAT in his order favoured the appeal of the Bank. The Bank has not accounted for the incremental/additional amount of tax.
- 22.2.8** Income tax of Rs.2,157.151 million was levied by the Income Tax Department for tax year 2004, against provision of Rs. 369.242 million in the books of account. The CIT(A) in his Orders favouring the appeal of the Bank reduced the tax amount of Rs. 2,157.151 million to Rs. 2,067.564 and subsequently reduced it to Rs. 1,660.674 million. The Bank has filed an appeal before the ITAT. The ITAT in his order favoured the appeal of the Bank. The Bank has not accounted for the incremental/additional amount of tax.
- 22.2.9** Income Tax of Rs.532.136 million was levied by the Income Tax Department for tax year 2005, against provision of Rs.38.434 million in the books of accounts. The Bank has paid Rs.60,734 million against the said demand. The Bank filed an appeal before the CIT(A) against the aforesaid order who upheld the assessment. The Bank is in an appeal with the ITAT. The ITAT in his order favoured the appeal of the Bank. The Bank has not accounted for the incremental/additional amount of tax.
- 22.2.10** Income tax of Rs.1,786.258 million and subsequently an addition of Rs. 31.055 million was levied by the Income Tax Department for tax year 2006, against provision of Rs. 46.719 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department against initial demand and the case is pending with CIT(A) on incremental/additional demand. The Bank has preferred an appeal against the order of the CIT(A) before the ITAT and paid Rs.328.228 million under protest. The ITAT in his order favoured the appeal of the Bank. The Bank has not accounted for the incremental/additional amount of tax.
- 22.2.11** Income tax of Rs.2,239.493 million and subsequently an addition of Rs. 24.876 million was levied by the Income Tax Department for tax year 2007, against provision of Rs. 1,131.484 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the CIT(A) decided the case in favour of the Tax Department
- 22.2.12** Income tax of Rs.1,382.898 million was levied by the Income Tax Department for tax year 2008, against provision of Rs. 639.571 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the case is pending with CIT(A). The Bank has paid Rs.600 million under protest. The Bank has not accounted for the
- 22.2.13** Income tax of Rs.1,798.905 million was levied by the Income Tax Department for tax year 2009, against provision of Rs. 1,387.835 million in the books of account. The Bank filed an appeal before the CIT(A) against the aforesaid order, the case is pending with CIT(A). The Bank has not accounted for the incremental amount of tax as it is confident that the same will not crystallize.
- 22.2.14** The SBP debt of Rs. 73.997 billion (Principal Rs. 54.461 billion; mark-up Rs. 19.536 billion) is in the process of repricing/restructuring as explained in Note 14.5. Consequent upon reworking of accrued mark up as advised by the SBP and as explained in Note 15.5 the resultant additional mark up amounting to Rs.2,729 billion has not been accounted for in these financial statements, pending formal approval of the debt restructuring proposal including approval of ZTBL claim of differential of mark-up amounting to Rs.17.744 billion from GoP. In this regard MoF vide their letter No. F.1(5)IF-1/2007-1217 dated September 28, 2009 has advised that Finance Division, SBP and ZTBL will work out a revised proposal to rationalize debt structure of the ZTBL.

As per GoP directive, State Bank of Pakistan has presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated October 27, 2009. However, ZTBL has requested MoF vide its letter No. 2932 dated November 20, 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated April 08, 2010 that agreed upon SBP debt restructuring proposal dated November 08, 2008 may be implemented.

	Note	2009	2008
		Rupees '000	
23	MARK UP/RETURN/INTEREST EARNED		
	On loans and advances to customers	6,855,395	6,423,707
	On investments in held to maturity securities	572,388	467,364
	On deposits with financial institutions	1,647,358	1,593,552
		<u>9,075,141</u>	<u>8,484,623</u>
24	MARK UP/RETURN/INTEREST EXPENSED		
	On deposits	92,582	33,768
	On borrowings and subordinated debt - State Bank of Pakistan	3,501,655	3,454,906
	Bank commission and other charges	3,339	737
		<u>3,597,576</u>	<u>3,489,411</u>
25	OTHER INCOME		
	Rent of property - others	17,422	13,489
	Recoveries of charge off amounts	4,287,158	4,817,050
	Recoveries against loans written-off under Government relief packages	480,000	-
	Net profit on sale of property and equipment	1,566	19,428
	Loan application fee	473,382	308,829
	Net credit relating to defined benefit plans	546,902	354,130
	Deferred income amortization	71,112	81,579
	Others	187,100	178,405
		<u>6,064,642</u>	<u>5,772,910</u>
25.1	Excess provision in respect of defined benefit plans has been written back on the basis of actuarial valuation carried out by an independent actuary.		
25.2	OTHERS		
	Sale proceeds of loan application forms	6,824	4,707
	Postal charges received from loanees	60,322	51,252
	Miscellaneous income	119,954	122,446
		<u>187,100</u>	<u>178,405</u>
25.2.1	It includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.		
26	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and benefits	3,889,312	3,340,953
	Charge for defined contribution plan	39,083	24,950
	Charge for compensated absence	242,096	243,482
	Non-executive directors' fees and other expenses	516	1,476
	Rent, taxes, insurance, electricity, etc.	120,726	93,349
	Legal and professional charges	81,767	56,830
	Communications	44,687	38,756
	Repairs and maintenance	33,756	52,341
	Motor vehicle expenses	210,689	216,682
	Traveling expenses	133,246	121,841
	Stationery and printing	48,368	30,552
	Advertisement and publicity	23,881	10,476
	Auditors' remuneration	4,331	3,565
	Depreciation - tangible	210,092	184,434
	Amortization - intangible	25,302	18,333
	Expense on senior management team	-	2,718
	Others	106,228	79,737
		<u>5,214,080</u>	<u>4,520,475</u>

26.1 Auditors' remuneration

	2009		Total
	Hyder Bhimji & Co. Chartered Accountants	BDO Ebrahim & Co. Chartered Accountants	
	Rupees in '000		
Audit fee	661	768	1,429
Fee for half year review	165	165	330
Consolidation of the accounts of subsidiary company	200	200	400
Other certification	363	362	725
Out of pocket expenses	721	726	1,447
	<u>2,110</u>	<u>2,221</u>	<u>4,331</u>
	2008		
	Rupees in '000		
Audit fee	575	645	1,220
Fee for half year review	144	175	319
Consolidation of the accounts of subsidiary company	200	200	400
Other certification	184	184	368
Out of pocket expenses	627	631	1,258
	<u>1,730</u>	<u>1,835</u>	<u>3,565</u>

27 OTHER CHARGES

	2009	2008
	Rupees in '000	
Penalties imposed by SBP	390	230
Fixed assets - written off	-	682
	<u>390</u>	<u>912</u>

28 COMMUTATION TO EMPLOYEES UNDER SR-2005

Commutation to employees under SR-2005 comprises the differential of 100% commutation of pension (on the basic pay admissible as on the date of option in respect of officers/executives under SSR-1961 opted for SR-2005) and amount received from pension fund thereof.

29 TAXATION	Note	2009	2008
		Rupees in '000	
For the year			
Current	29.1	1,677,248	1,392,695
Prior years		37,274	12,606
Deferred		(459,546)	(13,325)
		<u>1,254,976</u>	<u>1,391,976</u>

29.1 Relationship between tax expense and accounting profit

Accounting profit for the year		3,407,575	3,998,633
Add:			
Accounting depreciation		234,496	202,767
Provision charged against non performing loans as per Prudential Regulations		2,224,963	3,759
		2,464,132	2,026,526
Less: tax depreciation			206,526
tax depreciation		(135,101)	205,262
Provision against non performing loans allowed up to 1% of gross advances		893,965	-
dividend and rental income for separate consideration		70,383	25,954
		1,099,449	231,216
		<u>4,772,258</u>	<u>3,973,943</u>

	2009	2008
	Rupees in '000	
Tax-excluding dividend and rental income	1,670,289	1,390,880
Tax on dividend and rental income	6,959	1,815
Tax for the current period	<u>1,677,248</u>	<u>1,392,695</u>
Applicable tax rate	35%	35%

30 BASIC EARNINGS PER SHARE

Profit for the year	2,152,599	2,606,657
Weighted average number of ordinary shares outstanding during the year (number in thousand)	1,252,244	1,252,244
Basic earnings per share in rupees	<u>1.719</u>	<u>2.082</u>

31 There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at December 31, 2009.

Note	2009	2008
	Rupees in '000	

32 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	7	2,354,107	1,732,495
Balance with other banks	8	<u>9,679,278</u>	<u>16,005,460</u>
		<u>12,033,385</u>	<u>17,737,955</u>

33 STAFF STRENGTH

Permanent		5,614	5,906
Contractual		139	655
Total staff strength		<u>5,753</u>	<u>6,561</u>

34 CREDIT RATING

JCR-VIS Credit Rating Company, Karachi in its report dated June 29, 2009 has reaffirmed credit rating of the Bank at AAA/A-1+ (2008:AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B. (2008, B+ medium to long term, B short term rating).

35 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Group operates the following retirement benefit for its employees:-

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

35.1 Pension scheme

35.1.1 General description

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 Group operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers/executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.

35.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13% per annum
Expected rate of return on investments	14% per annum
Indexation in pension	8% per annum

	Note	2009	2008
		Rupees in '000	
35.1.3 Actuarial (gain)/loss in obligations			
Present value of obligation as on January 1		2,267,226	1,838,739
Current service cost		26,869	24,850
Interest cost		317,412	183,874
Benefits paid		(617,504)	(68,345)
Reversal gain as a result of transfer of liability to Gratuity SSR-1961		(637,967)	-
Actuarial (gain)/loss on obligation		(24,259)	288,108
Present value of obligation as at December 31		<u>1,331,777</u>	<u>2,267,226</u>
35.1.4 Actuarial gain/(loss) in assets			
Total assets as on January 1		5,114,465	4,751,634
Expected return on plan assets		716,025	475,164
Contributions		38,830	46,282
Benefits paid		(617,504)	(68,345)
Actuarial gain/(loss) on assets		(70,837)	(90,270)
Total assets as at December 31		<u>5,180,979</u>	<u>5,114,465</u>
35.1.5 Reconciliation of receivable from pension fund			
Present value of defined benefit obligation		1,331,777	2,267,226
Fair value of plan assets		(5,180,979)	(5,114,465)
Net actuarial gains not recognized		(201,482)	(154,904)
Net receivable at the year end		<u>(4,050,684)</u>	<u>(3,002,143)</u>
35.1.6 Movement in net liability/(asset) recognized			
Opening net asset		(3,002,143)	(2,689,422)
Credit for the period	35.1.7	(1,009,711)	(266,439)
Contribution to fund/benefits paid during the year		(38,830)	(46,282)
Closing net asset		<u>(4,050,684)</u>	<u>(3,002,143)</u>

35.1.7 Credit for pension fund

Current service cost	26,869	24,850
Interest cost	317,412	183,874
Expected return on plan assets	(716,025)	(475,163)
Reversal gain as a result of transfer of liability to Gratuity SSR-1961	(637,967)	-
	(1,009,711)	(266,439)

35.2 Benevolent scheme - officers/executives

35.2.1 General description

For all officers/executives, the Group operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 100, by each officer/executive. Employee contributions are matched by an equal amount of contributions by the Group which is also liable to meet any shortfall in the fund.

35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

35.2.3 Actuarial (gain)/loss in obligations

Present value of obligation as on January 1	157,652	208,563
Current service cost	5,787	7,442
Interest cost	22,071	20,856
Benefits paid	(10,584)	(8,629)
Actuarial (gain)/loss on obligation	(9,424)	(70,580)
Present value of obligation as at December 31	165,502	157,652

35.2.4 Actuarial gain/(loss) in assets

Total assets as on January 1	463,458	437,347
Expected return on plan assets	64,884	43,736
Contributions - Employer	8,643	8,697
Contributions - Employee	8,643	8,697
Benefits paid	(10,584)	(8,629)
Actuarial gain/(loss) on assets	(32,950)	(26,390)
Total assets as at December 31	502,094	463,458

35.2.5 Reconciliation of receivable from benevolent fund

Present value of defined benefit obligation	165,502	157,652
Fair value of plan assets	(502,094)	(463,458)
Unrecognised actuarial gain/(loss)	33,454	58,309
Net receivable at the year end	(303,138)	(247,497)

35.2.6 Movement in net asset recognized

Opening net receivable		(247,497)	(214,282)
Credit for the period	35.2.7	(46,998)	(24,518)
Contribution to fund/benefits paid during the year		(8,643)	(8,697)
Closing net receivable		(303,138)	(247,497)

	Note	2009	2008
		Rupees in '000	
35.2.7 Credit for benevolent fund			
Current service cost		5,787	7,442
Interest cost		22,071	20,856
Expected return on plan assets		(64,884)	(43,735)
Actuarial gains recognized		(1,329)	-
Contribution-employee		(8,643)	(8,697)
Negative past service cost-recognized		-	(384)
		<u>(46,998)</u>	<u>(24,518)</u>
35.3 Benevolent scheme - clerical/non-clerical			
35.3.1 General description			
For all clerical/non-clerical staff, the Group operates an approved funded benevolent scheme to 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 Group which is also liable to meet any shortfall in the fund.			
35.3.2 Principal actuarial assumption			
The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:			
Valuation discount rate		14% per annum	
Expected rate of increase in salary		13% per annum	
Expected rate of return on investments		14% per annum	
		2009	2008
		Rupees in '000	
35.3.3 Actuarial (gain)/loss in obligations			
Present value of obligation as on January 1		32,555	41,989
Current service cost		1,704	2,284
Interest cost		4,558	4,198
Benefits paid		(1,081)	(1,216)
Actuarial (gain)/loss on obligation		(3,695)	(14,700)
Present value of obligation as at December 31		<u>34,041</u>	<u>32,555</u>
35.3.4 Actuarial gain/(loss) in assets			
Total assets as on January 1		195,519	181,826
Expected return on plan assets		27,373	18,183
Contributions - Employer		3,779	3,889
Contributions - Employee		3,779	3,889
Benefits paid		(1,081)	(1,216)
Actuarial gain/(loss) on assets		(4,376)	(11,052)
Total assets as at December 31		<u>224,993</u>	<u>195,519</u>
35.3.5 Reconciliation of payable to/(receivable from) benevolent fund			
Present value of defined benefit obligation		34,041	32,555
Fair value of plan assets		(224,993)	(195,519)
Net actuarial gains/(losses) not recognized		108,491	120,375
Net receivable at the year end		<u>(82,461)</u>	<u>(42,588)</u>
35.3.6 Movement in net asset recognized			
Opening net (receivable)/payable		(42,588)	(12,161)
Credit for the year	35.3.7	(36,094)	(26,538)
Contribution to fund/benefits paid during the year		(3,779)	(3,889)
Closing net receivable		<u>(82,461)</u>	<u>(42,588)</u>

35.3.7 Credit for benevolent fund

Current service cost	1,703	2,284
Interest cost	4,558	4,199
Expected return on plan assets	(27,373)	(18,183)
Actuarial (gains)/losses recognized	(11,203)	(10,949)
Contribution-employee	(3,779)	(3,889)
	<u>(36,094)</u>	<u>(26,538)</u>

35.4 Gratuity scheme

35.4.1 Gratuity under old Staff Regulations

35.4.1.1 General description

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

35.4.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Expected rate of increase in salary	13 % per annum
Expected rate of return on investments	14 % per annum

35.4.1.3 Actuarial (gain)/loss in obligations

	Note	2009	2008
		Rupees in '000	
Present value of obligation as on January 1		6	13
Current service cost		1	2
Interest cost		1	1
Benefits paid		(293,526)	(9,382)
Addition to liability from Pension Fund		637,967	-
Actuarial (gain)/loss on obligation		<u>13,520</u>	<u>9,372</u>
Present value of obligation as at December 31		<u>357,969</u>	<u>6</u>

35.4.1.4 Actuarial gain/(loss) in assets

Total assets as on January 1	1,588,217	1,458,084
Expected return on plan assets	222,350	145,809
Contributions	1,467	1,469
Benefits paid	(293,526)	(9,382)
Actuarial gain/(loss) on assets	<u>(35,230)</u>	<u>(7,763)</u>
Total assets as at December 31	<u>1,483,278</u>	<u>1,588,217</u>

35.4.1.5 Reconciliation of receivable from gratuity fund

Present value of defined benefit obligation	357,969	6
Fair value of plan assets	(1,483,278)	(1,588,217)
Net actuarial gains/(losses) not recognized	<u>84,573</u>	<u>133,323</u>
	<u>(1,040,736)</u>	<u>(1,454,888)</u>

35.4.1.6 Movement in net asset recognized

Opening net asset		(1,454,888)	(1,307,097)
Credit for the year	35.4.1.7	415,619	(146,322)
Contribution to fund/benefits paid during the year		<u>(1,467)</u>	<u>(1,469)</u>
Closing net asset		<u>(1,040,736)</u>	<u>(1,454,888)</u>

	Note	2009	2008
		Rupees in '000	
35.4.1.7 Credit for gratuity fund			
Current service cost		1	2
Interest cost		1	1
Expected return on plan assets		(222,350)	(145,809)
Actuarial gains recognized		-	(517)
Addition to liability from Pension Fund		637,967	-
		<u>415,619</u>	<u>(146,322)</u>
35.4.2 Gratuity under Staff Regulations - 2005 (SR-2005)			
35.4.2.1 General description			
The Group 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 and contributions to this Fund are made by the Group at the rate of 8.333% of the monetized salary per month.			
35.4.2.2 Principal actuarial assumption			
The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:			
Valuation discount rate		14% per annum	
Expected rate of increase in salary		13% per annum	
Expected rate of return on investments		14% per annum	
	Note	2009	2008
		Rupees in '000	
35.4.2.3 Actuarial (gain)/loss in obligations			
Present value of obligation as on January 1		403,784	281,689
Current service cost		113,430	94,913
Interest cost		56,529	28,171
Benefits paid		(9,474)	(1,042)
Actuarial (gain)/loss on obligation		7,871	53
Present value of obligation as at December 31		<u>572,140</u>	<u>403,784</u>
35.4.2.4 Actuarial gain/(loss) in assets			
Total assets as on January 1		249,150	95,121
Expected return on plan assets		34,881	9,512
Contributions		169,747	133,395
Benefits paid		(9,457)	(897)
Actuarial gain/(loss) on assets		2,028	12,019
Total assets as at December 31		<u>446,349</u>	<u>249,150</u>
35.4.2.5 Reconciliation of payable to gratuity fund			
Present value of defined benefit obligation		572,140	403,780
Fair value of plan assets		(446,349)	(249,150)
Net actuarial gains/(losses) not recognized		(37,438)	(31,591)
		<u>88,353</u>	<u>123,039</u>
35.4.2.6 Movement in net liability recognized			
Opening net liability		123,039	143,081
Charge for the period	35.4.2.7	135,078	113,500
Contribution to fund/benefits paid during the year		(169,764)	(133,542)
Closing net liability		<u>88,353</u>	<u>123,039</u>

35.4.2.7 Charge for gratuity fund

Current service cost	113,430	94,914
Interest cost	56,529	28,169
Expected return on plan assets	(34,881)	(9,512)
Net actuarial losses recognized	-	(71)
	135,078	113,500

35.5 Post retirement medical benefits

35.5.1 General description

The Group 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.

35.5.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2009. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	14% per annum
Medical inflation rate	12% per annum
Exposure inflation rate	3% per annum

35.5.3 Actuarial (gain)/loss in obligations

Present value of obligation as on January 1	2,512,406	2,107,028
Current service cost	57,132	74,547
Interest cost	351,737	210,703
Benefits paid	(17,746)	(18,271)
Actuarial (gain)/loss on obligation	(360,274)	138,399
Present value of obligation as at December 31	2,543,255	2,512,406

35.5.4 Reconciliation of payable to medical benefits

Present value of defined benefit obligation	2,543,255	2,512,406
Net actuarial gains not recognized	1,269,231	991,172
	3,812,486	3,503,577

35.5.5 Movement in net liability recognized

Opening net liability		3,503,577	3,359,112
Charge for the period	35.5.6	326,655	162,736
Contribution to fund/benefits paid during the year		(17,746)	(18,271)
Closing net liability		3,812,486	3,503,577

35.5.6 Charge for medical benefits

Current service cost		57,132	74,547
Interest cost		351,738	210,703
Actuarial gains recognized		(82,215)	(102,096)
Negative past service cost recognized		-	(20,418)
		326,655	162,736

35.6 Employee compensated absences

The liability of the Group in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method. The liability of the Group as per the latest actuarial valuation carried out as at December 31, 2009 amounted to Rs. 1,194.349 million (December 31, 2008: Rs. 952.253 million) which has been fully provided by the Group. The provision has been increased by Rs. 242.096 million for the year ended December 31, 2009.

35.7 Defined contribution plan

For all the employees of the Group who have opted for retirement benefits scheme announced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively, the Group operates an approved non-contributory provident fund (General Provident Fund) through an independent trust. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month. For employees who have not opted for aforesaid retirement benefit scheme, the Group operates an approved contributory provident fund (Employees Provident Fund) where contributions are made by the Group and employees at the rate of 8.33% of basic salary per month.

Contributory Provident Fund (CPF) scheme was introduced in 2006 (w.e.f. July 2006) for the employees governed under Staff Regulations 2005 (SR-2005) and contributions to the CPF are made by the employees at the rate of 2% of monetized salary per month and matching contribution by the Group, if their remaining service is more than ten years from the date of option/appointment.

36 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Bank is as follows;

	President		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees in '000					
Fee	-	-	516	1,476	-	-
Managerial remuneration	6,000	4,587	-	-	1,252,276	945,903
Charge for defined benefit plan	1,000	784	-	-	104,102	74,678
Contribution to defined benefit fund	-	-	-	-	16,820	6,723
Rent and house maintenance	2,220	542	-	-	14,281	35,572
Utilities	297	45	-	-	3,570	8,893
Medical	48	45	-	-	3,950	9,712
Conveyance	359	397	-	-	2,107	7,298
Furnishing allowance	-	-	-	-	6,724	1,607
Leave fare assistance	-	-	-	-	-	-
Club facility	341	50	-	-	-	-
Others	754	798	-	-	580	1,859
	<u>11,019</u>	<u>7,248</u>	<u>516</u>	<u>1,476</u>	<u>1,404,410</u>	<u>1,092,245</u>
Number of persons	<u>1</u>	<u>2</u>	<u>8</u>	<u>9</u>	<u>1,391</u>	<u>789</u>

36.1 Executives mean employees, other than the chief executive and directors, whose basic/monetized salary exceeds Rs. 500,000 in a financial year. The chief executive, senior vice president and above other than covered under SR-2005 have been provided Bank maintained cars. Vice president and above governed by SR-2005 have also been provided cars under Cars Loan Depreciation Policy (CLDP).

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

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 assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

37.1 **On-balance sheet financial instruments**

	2009		2008	
	Book value	Fair value	Book value	Fair value
	Rupees in '000		Rupees in '000	
Assets				
Cash and balances with treasury banks	2,354,107	2,354,107	1,732,495	1,732,495
Balances with other banks	9,679,278	9,679,278	16,005,460	16,005,460
Investments - net	7,113,948	7,113,948	4,955,690	4,955,690
Advances - net	81,974,021	81,974,021	69,923,497	69,923,497
Other assets - net	37.2	9,918,407	8,458,825	8,458,825
		<u>111,039,761</u>	<u>101,075,967</u>	<u>101,075,967</u>
Liabilities				
Bills payable	2,059,979	2,059,979	613,378	613,378
Borrowings	51,257,213	51,257,213	51,257,213	51,257,213
Deposits and other accounts	8,718,645	8,718,645	5,425,170	5,425,170
Sub-ordinated loan	3,204,323	3,204,323	3,204,323	3,204,323
Other liabilities	37.2	27,393,015	23,634,771	23,634,771
		<u>92,633,175</u>	<u>84,134,855</u>	<u>84,134,855</u>

37.2 Stationery, stock in hand, advances and prepayments have been excluded while arriving on financial instruments in other assets. Similarly, inter-branch adjustments has been deducted from other liabilities.

MENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

segment analysis with respect to business activity is as follows:

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement Kuppers in '000	Agency services	Assets management	Retail brokerage	Agri financing
2009	-	-	-	-	-	-	-	-	15,177,937
Income	-	-	-	-	-	-	-	-	11,770,562
expenses:	-	-	-	-	-	-	-	-	3,407,575
Income before tax	-	-	-	-	-	-	-	-	1,254,976
ation	-	-	-	-	-	-	-	-	2,152,599
ne after tax	-	-	-	-	-	-	-	-	112,655,385
net assets (gross)	-	-	-	-	-	-	-	-	14,086,126
net non performing loans	-	-	-	-	-	-	-	-	4,401,719
net provision required	-	-	-	-	-	-	-	-	93,177,487
net liabilities	-	-	-	-	-	-	-	-	11,059%
net return on net assets(%)	-	-	-	-	-	-	-	-	5,699%
net cost of funds (%)	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	14,263,105
expenses	-	-	-	-	-	-	-	-	10,274,700
Income before tax	-	-	-	-	-	-	-	-	3,988,405
ation	-	-	-	-	-	-	-	-	1,387,116
ne after tax	-	-	-	-	-	-	-	-	2,601,289
net assets (gross)	-	-	-	-	-	-	-	-	102,340,790
net non performing loans	-	-	-	-	-	-	-	-	12,985,615
net provision required	-	-	-	-	-	-	-	-	4,806,237
net liabilities	-	-	-	-	-	-	-	-	84,975,077
net return on net assets(%)	-	-	-	-	-	-	-	-	14,989%
net cost of funds (%)	-	-	-	-	-	-	-	-	5,833%

39 TRUST ACTIVITIES

The Group commonly act as trustee in their fiduciary capacity that results in the holding or placing of assets on behalf of individuals, trust, retirement benefit plan and other institutions. Provided the trustees or similar relationship is legally supported, these assets are not asset of the Group and therefore, are not included in its balance sheet except net amount receivable/payable in respect thereof.

40 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, subsidiary companies with or without common directors, retirement benefit funds, directors and key management personnel.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions between the Group and its related parties are carried at arm's length basis under the comparable uncontrolled price method. Details of loans and advances to the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members, are given in note 10.8 to these financial statements. 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 valuation / terms of the contribution plan as disclosed in notes 35. Remuneration to the executives and disposal of vehicles are disclosed in note 36 and 11.8 to these financial statements respectively. Details of transactions with related parties and balances with them excluding those entered into with directors / executives as per their terms of employment as disclosed in note 36 at the year end was as under:

	2009	2008
	<u>Key management personnel</u>	
	Rupees '000	
Advances		
As on January 1	11,037	4,977
Given during the year	4,733	9,430
Repaid during the year	(2,277)	(3,370)
As at December 31	13,493	11,037
Deposits		
As on January 1	5,148	2,520
Received during the year	58,839	48,033
Withdrawn during the year	(54,758)	(45,405)
As at December 31	9,229	5,148
Investments at the end of the year	-	-
Payable at the end of the year	-	-
	2009	2008
	<u>Key management personnel</u>	
	Rupees '000	
Mark up/ interest earned	352	163
Remuneration paid	41,106	37,842
Post retirement benefit	3,028	2,571
Contribution to defined benefit plan	311	293

41 CAPITAL ADEQUACY

- 41.1 The Basel II Framework is applicable to the Bank both at the consolidated level (comprising of wholly/partially owned subsidiaries) and also on a stand alone basis.

Risk is an inherent part of every Bank's business activities, which are managed through risk management framework and governance structures at the Bank.

The major risks types are:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Bank's capital adequacy is being managed, maintained and reported using various measures including the rules and ratios provided by the State Bank of Pakistan.

Capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets. Measuring capital adequacy requires risk mitigants to be applied to the amount of assets shown on a Bank's balance sheet. These assets are then applied weightages according to the degree of inherent risk. The capital adequacy ratios compare the amount of eligible capital with the total of risk-weighted assets (RWAs).

The Bank has developed Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by SBP. This framework has been approved by Bank's Board Risk Committee and submitted to SBP. The Bank has covered additional risks which are not covered under Pillar I and have projected satisfactory capital adequacy for the next six years leaving ample cushion for any future capital requirements. The Bank will review the ICAAP framework on annual basis (financial year end i.e. December) and changes/updates will be recommended to Basel II committee for onward submission to the Board of Directors.

41.2 Capital Management

Goals of managing capital

The goals of managing capital of the Bank are as follows;

- to be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peer.
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 23 billion by the year ending on December 31, 2013. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at December 31, 2009 was 21.90% of its risk weighted exposure.

Bank's regulatory capital is analysed in to two tiers

- Tier 1 capital, which includes fully paid up capital (including the bonus shares), reserves as per the financial statements and unappropriated profits and after adjustment of revaluation of available for sale investments.
- Tier 2 capital, which includes general provision for loan losses (up to a maximum of 1.25 % of risk weighted assets), and equity investments up to a maximum of 45 %, 50% deduction for investments in the equity of subsidiary companies.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organisation and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

41.3 Capital adequacy Ratio

The risk weighted assets to capital ratio, calculated in accordance with the SBP guidelines on capital adequacy was as follows:

2009 2008

Rupees in '000

Regulatory capital base**Tier I capital**

Shareholders capital	12,522,441	12,522,441
Reserves	-	-
Unappropriated profits	4,964,194	3,262,655
	17,486,635	15,785,096

Less:

Intangibles	(34,019)	(59,321)
50% deduction for investment in subsidiary	(50,000)	(50,000)
	(84,019)	(109,321)

Total tier I capital

17,402,616 15,675,775

Tier II capital

Subordinated debt (upto 50% of total tier I capital)	3,204,323	3,204,323
General provisions subject to 1.25% of total risk weighted assets	1,028,000	901,212
Revaluation reserve (upto 45%)	196,419	222,502
	4,428,742	4,328,037

Less: 50% deduction for investment in subsidiary

(50,000) (50,000)

Total tier II capital

4,378,742 4,278,037

Eligible tier III capital

- -

Total regulatory capital

(a) 21,781,358 19,953,812

Risk weighted exposures

2009		2008	
Book value	Risk adjusted value	Book value	Risk adjusted value
Rupees in '000			

Credit risk**Balance sheet items:**

Cash and other liquid Assets	490,861	-	518,523	-
Money at call	9,740,451	1,948,090	16,072,645	3,214,529
Investments - net	8,934,933	588,982	6,366,409	663,848
Advances - net	84,974,021	68,937,234	72,923,497	58,918,161
Fixed assets	1,031,761	1,031,761	1,083,565	1,083,565
Other assets - net	9,733,913	9,733,913	8,216,830	8,216,830
	114,905,940	82,239,980	105,181,469	72,096,933

Off balance sheet items:

Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
Purchase	-	-	-	-
Sale	-	-	-	-
	-	-	-	-
Credit risk-weighted exposures	114,905,940	82,239,980	105,181,469	72,096,933

2009 2008
Rupees in '000**Market Risk**

General market risk	-	-
Specific market Risk	-	-
Market risk-weighted exposures	-	-

Operational Risk

Total Operational Risk Weighted Amount	17,239,537	15,151,071
Total risk-weighted exposures	99,479,517	87,248,004

Capital adequacy ratio [(a) / (b) x 100]

21.90% 22.87%

The Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. ZTBL has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market and liquidity and operational risks. The bank's risk management department is independent of the business and operations and directly reports to the President. The Bank has setup a Basel-II Implementation Committee and working groups to implement orderly transition and effective implementation of this Basel-II Accord in the Bank. The risk policy has already been modified to cater to the guidelines of the Basel-II Accord. The Bank systematic and integrated risk management function for each category of risk is as follows;

4.2.1 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 value due actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analysed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio will be more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk PAR report will also be generated. This will enable the management to take proactive measurements for having a quality credit portfolio/products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinize agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors. During the year risk management department also prepared the Internal Capital Adequacy Assessment Process (ICAAP) of the Bank.

Credit exposures subject to standardised approach

Exposures	(Rs in thousands)						
	2009			2008			Net amount
	Rating category	Amount outstanding	Deduction CRM	Amount outstanding	Deduction CRM		
Cash and Cash Equivalents		490,861	490,861	-	518,523	518,523	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR		8,345,951	8,345,951	-	5,702,561	5,702,561	-
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan		-	-	-	-	-	-
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community		-	-	-	-	-	-
Claims on Multilateral Development Banks		-	-	-	-	-	-
	1	-	-	-	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Claims on Public Sector Entities in Pakistan		-	-	-	-	-	-
	1	-	-	-	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Claims on Banks		-	-	-	-	-	-
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	1,2,3	-	-	-	-	-	-
	6	-	-	-	-	-	-
	unrated	-	-	-	-	-	-

2009

2008

(Rs in thousands)

Exposures	Rating category	(Rs in thousands)					
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in funded in PKR		9,740,451	7,792,361	1,948,090	16,072,645	12,858,116	3,214,529
Claims on Corporates (excluding equity exposures)		-	-	-	-	-	-
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3,4	-	-	-	-	-	-
	5,6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Claims categorized as retail portfolio		-	-	-	-	-	-
		73,072,213	18,268,053	54,804,160	62,646,650	15,661,662	46,984,988
Claims fully secured by residential property (Residential Mortgage Finance as defined in Section 2.1)		2,217,401	1,441,311	776,090	2,097,469	1,363,355	734,114
Past Due loans:		-	-	-	-	-	-
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:		-	-	-	-	-	-
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.		7,345,153	(3,705,958)	11,117,873	6,039,362	(3,019,681)	9,059,043
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.		2,344,106	-	2,344,106	2,140,016	-	2,140,016
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.		-	-	-	-	-	-
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		-	-	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount		-	-	-	-	-	-
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.		588,982	-	588,982	663,848	-	663,848
Unlisted equity investments (other than that deducted from capital) held in banking book		-	-	-	-	-	-
Investments in venture capital		-	-	-	-	-	-
Investments in premises, plant and equipment and all other fixed assets		1,031,761	-	1,031,761	1,083,565	-	1,083,565
Claims on all fixed assets under operating lease		-	-	-	-	-	-
All other assets		9,733,913	-	9,733,913	8,216,830	-	8,216,830
TOTAL		114,905,940	32,665,960	82,239,980	105,181,469	33,084,536	72,096,933

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Standardized Approach of Credit Risk. In instances where the Bank's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Standardized Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Counterparty rating is obtained through the SBP authorized External Credit Rating Agency; JCR VIS. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Credit Risk Management function.

The wholesale portfolio, which represents agricultural loans are ideally collateralized by land.

The Bank manages limits and controls concentrations of credit risk as identified. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank sets limits on its credit exposure to counterparty, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due) after realization of any available collateral. Loans carried at amortized cost are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. Allowances or provisions are determined such that the carrying values of impaired claims are consistent with the requirements of SBP. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations.

42.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances; deposits, contingencies and commitments.

42.1.1a Segments by class of business

Agriculture, forestry, hunting and fishing
Individuals
Others

	2009					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	86,437,114	96.69%	-	-	-	-
Individuals	-	-	8,706,244	99.86%	18,503,531	50.11%
Others	2,959,393	3.31%	12,163	0.14%	18,422,569	49.89%
	<u>89,396,507</u>	<u>100%</u>	<u>8,718,645</u>	<u>100%</u>	<u>36,926,100</u>	<u>100%</u>

42.1.1b Segment by sector

Public/ government *
Private

	2009					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	12,613	0.14%	18,422,569	49.89%
Private	89,396,507	100.00%	8,706,244	99.86%	18,503,531	50.11%
	<u>89,396,507</u>	<u>100.00%</u>	<u>8,718,645</u>	<u>100.00%</u>	<u>36,926,100</u>	<u>100.00%</u>

* This amount represents deposits belonging to autonomous/semi-autonomous bodies.

42.1.1c Details of non-performing advances and specific provisions by class of business segment

Agriculture, forestry, hunting and fishing
Advances to employees

	2009		2008	
	Rupees in '000			
	Classified advances	Specific provision held	Classified advances	Specific provision held
Agriculture, forestry, hunting and fishing	14,086,126	4,401,719	12,985,615	4,806,237
Advances to employees	20,767	20,767	40,514	40,514
	<u>14,106,893</u>	<u>4,422,486</u>	<u>13,026,129</u>	<u>4,846,751</u>

42.1.1d Details of non-performing advances and specific provisions by sector

Private
Advances to employees

Private	14,086,126	4,401,719	12,985,615	4,806,237
Advances to employees	20,767	20,767	40,514	40,514
	<u>14,106,893</u>	<u>4,422,486</u>	<u>13,026,129</u>	<u>4,846,751</u>

42.1.1e GEOGRAPHICAL SEGMENT ANALYSIS

Pakistan

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	3,407,575	112,655,385	19,477,898	36,926,100

42.2 Market Risk Management

The Group is not involved in commercial activities like underwriting, trading and discounting operations. The Group operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP. The Group is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments/placements are being placed in held to maturity securities/investments. Correspondingly the borrowing from SBP is in the process of restructuring. Liquidity position of the Group is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Group has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

42.3 Foreign Exchange Risk Management

The Group is not directly exposed to foreign exchange risk as the Group is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

42.4 Equity price Risk Management

The Group is not exposed to equity position risk as all the shares are held by Federal and Provincial Governments. Its securities are not publicly traded.

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

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 bi-annually to assess the impact of a parallel shift in the yield curve of the Bank's capital using sensitivity positions calculated using earlier of contractual re-pricing or maturity date for on-balance sheet instruments, and settlement date for on-balance sheet instruments.

2009

On-balance sheet financial instruments

Assets	Effective Yield/ Interest rate	Total	Reposes in '000										Non-interest bearing financial instruments	
			Up to 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			
Cash and balances with treasury banks	-	2,354,107	-	-	-	-	-	-	-	-	-	-	-	2,354,107
Balances with other banks	12.68	9,679,278	7,431,187	2,231,812	-	-	-	-	-	-	-	-	-	16,279
Investments - net	12.70	7,113,848	1,717,725	2,910,039	752,896	-	1,007,581	-	-	-	-	-	-	725,707
Advances - net	8	81,974,021	7,960,946	7,922,829	19,462,613	20,229,492	5,106,447	4,692,971	7,700,221	6,688,576	1,502,052	-	-	707,874
Other assets - net	-	10,169,957	(72,299)	-	-	-	-	-	-	-	-	-	-	10,342,756
Liabilities														
Bills payable	-	11,291,311	17,037,059	13,064,680	20,215,509	20,229,492	6,114,028	4,692,971	7,700,221	6,688,576	1,502,052	-	-	14,046,723
Borrowings	6.09	2,059,979	-	-	-	-	-	-	-	-	-	-	-	2,059,979
Deposits and other accounts	3.33	51,257,243	12,707,695	1,815,385	1,815,385	3,630,770	3,630,770	3,630,770	7,261,540	18,153,850	2,241,818	-	-	5,237,257
Sub-ordinated loans	-	8,718,645	3,062,562	-	106,685	-	309,753	-	-	-	2,288	-	-	3,204,323
Other liabilities	-	3,204,323	(1,214,001)	-	-	-	-	-	-	-	-	-	-	29,151,328
		27,927,327	14,556,256	-	1,922,070	2,125,138	3,630,770	3,630,770	7,263,828	18,153,850	5,446,141	-	-	36,448,664
On-balance sheet gap		18,113,824	2,480,803	13,064,680	18,293,439	18,104,354	2,483,258	1,062,201	436,393	(11,465,274)	(3,944,089)	(22,401,941)		
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-	-	-
Total yield/ interest risk sensitivity gap		18,113,824	2,480,803	13,064,680	18,293,439	18,104,354	2,483,258	1,062,201	436,393	(11,465,274)	(3,944,089)	(22,401,941)		
Cumulative yield/ interest risk sensitivity gap		18,113,824	2,480,803	15,545,483	33,838,922	51,943,276	54,426,534	55,488,735	55,925,128	44,459,854	40,515,765	18,113,824		

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

Total financial assets as per note 42.5	Reposes in '000
Add non financial assets	111,291,311
Operating fixed assets	1,073,443
Other assets	<u>112,364,754</u>

Total financial liabilities as per note 42.5	Reposes in '000
Add non financial liabilities	93,177,487
Deferred tax liabilities	-
Other liabilities	<u>93,177,487</u>

42.7 Liquidity risk

Assets and Liabilities Committee (ALCO) is effectively performing the function of cash management at the Bank. Accordingly the yields on fund's placement have been constantly increasing.

42.7.1 Maturities of assets and liabilities

	2009									
	Total	Up to 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
Assets										
Cash and balances with treasury banks	2,354,107	2,354,107	-	-	-	-	-	-	-	-
Balances with other banks	9,679,278	7,447,466	2,231,812	-	-	-	-	-	-	-
Lending to financial institutions	-	-	2,910,039	-	-	-	-	-	-	-
Investments - net	7,113,948	1,679,584	2,910,039	752,896	-	1,007,581	-	-	-	763,848
Advances - net	81,974,021	8,668,640	7,922,829	19,462,613	20,229,492	5,106,447	4,692,971	7,700,221	6,688,756	1,502,052
Other assets - net	10,169,957	10,169,957	-	-	-	-	-	-	-	-
Operating fixed assets	1,073,443	3,026	-	-	-	-	-	-	-	1,070,417
	112,364,754	30,322,780	13,064,680	20,215,509	20,229,492	6,114,028	4,692,971	7,700,221	6,688,756	3,336,317
Liabilities										
Bills payable	2,059,979	2,059,979	-	-	-	-	-	-	-	-
Borrowings	51,257,213	12,707,695	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	2,241,818
Deposits and other accounts	8,718,645	8,299,919	-	106,685	309,753	-	-	2,288	-	-
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	27,937,327	27,937,327	-	-	-	-	-	-	-	-
Deferred tax liabilities	(45,981)	(45,981)	-	-	-	-	-	-	-	45,981
	93,177,487	50,998,939	-	1,922,070	2,125,138	3,630,770	3,630,770	7,263,828	18,153,850	5,492,122
Net assets										
	19,187,267	(20,636,159)	13,064,680	18,293,439	18,104,354	2,483,258	1,062,201	436,593	(11,465,094)	(2,155,805)
Share capital	12,522,441	-	-	-	-	-	-	-	-	-
Reserves	1,511,554	-	-	-	-	-	-	-	-	-
Unappropriated profit	5,007,416	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	436,487	-	-	-	-	-	-	-	-	-
	19,477,898	-	-	-	-	-	-	-	-	-

42.8 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 Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Group. The data of the Operational Risk Model is collected and analysed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the Group in a phased manner.

With regards to Basel-II compliance, the Group has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

43 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on September 28, 2010 by the Board of Directors of the Group.

44 GENERAL

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

44.2 Captions as prescribed by BSD Circular No. 4 of 2006 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have been reproduced in these financial statements except, for balance sheet and profit and loss account.

44.3 There is no material rearrangement/regrouping made during the year.

PRESIDENT **DIRECTOR** **DIRECTOR** **DIRECTOR**

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPES FIVE HUNDRED THOUSAND
OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009
(GENERAL LOAN CASES)

(Rs. In million)

S.NO	Name and address of the borrower	Name of individual /partner/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year				Amount charge off			
					Principal	Interest	Others	Total	Principal	Interest	Others	Total
1	Mohammad Sharif		35404-4660667-3	Hassan Din	0.273	1.509	-	1.782	-	0.890	-	0.890
2	119 RB Huseef		294-01-394442	Ah Mohammad	0.094	1.042	-	1.136	-	0.960	-	0.960
3	Mizan Ali Fiqariz Mizan Shauin Akhtar Babari Par		336-12-952300	Abdul Karim	0.084	0.601	-	0.685	-	0.679	-	0.679
4	Mohammad Ashraf Golub Das		336-64-113726	Abdul Aziz	0.117	0.471	-	0.588	-	0.587	-	0.587
5	Sheera Kashfar Ghaffar		226-41-101816	Ahman	0.073	0.713	-	0.786	0.073	0.713	-	0.786
6	Ahuf Hussain Rahim Gali		331-003262248-5	Akbar Hussain	0.831	1.185	-	2.016	-	0.980	-	0.980
7	Msr Sadiq Bih Dhama		325-46-256969	Mr mahmud	0.607	1.127	-	1.734	0.604	0.055	-	0.659
8	Noor Ahmed Shah Mohammad Azees H.No.425Gali No.148iddque		325-61-256697	Riaz Hussain Shah Mohad Yousaf Shah	0.121	0.697	-	0.818	-	0.818	-	0.818
9	Mrs Fakhan Nisa I-4 154D Block 6 F. B. Area		201-36-061112	Mr-Rahimuddin	0.469	0.376	-	0.845	-	0.845	-	0.845
10	M Khan Ghazri old Drink Abidali Sah		402-42-069548	Nazir Mohd	0.186	0.565	-	0.751	-	0.742	-	0.742
11	Cap M R Akhtar G- F-3- Block 3 Sensitive Dhs		507-32-019863	Main Amir Bulash	0.276	0.615	-	0.891	-	0.740	-	0.740
12	M. Kamran Atiqe B-13 Block B Gulshan Jannal		422-011532461-1	Atiqe Al Krim	0.623	0.440	-	1.063	-	1.063	-	1.063
13	S. Hashim Raza R-519, Sector 10 Shadran Town		502-31-320410	S. Musafia Azad	0.498	0.051	-	0.549	-	0.549	-	0.549
14	S. Aijaz R Rizvi B-16, Block - D North Nazimabad		421-0112591317-7	S Raza Rizvi	0.794	0.753	-	1.547	-	1.547	-	1.547
15	S. Aungfal Ali D-35, Al- Azam- Aypet BH-13 -A		422-014338420-9	S Madad Ali	0.785	0.776	-	1.561	-	1.561	-	1.561
16	Abdul Qadir P. K. Motors Khalid Bin Walied		422-019856481-1	Wali Muhammad	0.300	0.324	-	0.624	-	0.624	-	0.624
17	Jalal Uddin SI 11/1 IS Floor Block 7 G. 1		210-30-128769	Qamar Uddin	0.772	0.569	-	1.341	-	1.341	-	1.341
18	Mohammad Yaqoob SI 11/1 IS Floor Block 7 G. 1		422-011310146-3	Mohammad Farooq	0.288	0.289	-	0.577	-	0.577	-	0.577
19	Muzna Mubtahir Baig 679-B mainr Colony		519-36-218052	Muzna Sattar Baig	0.288	0.289	-	0.577	-	0.577	-	0.577
20	Mohammad Kaleem Khan H. B-92 Block 13-D-2 Gulshan Abdul Rasheed Hana Bung, No 30 Blk 19 G-E-36		422-010767486-1	Muhammad Naseem Khan	0.515	0.187	-	0.722	-	0.722	-	0.722
			502-42-445301	Suhlan	0.548	0.707	-	1.255	-	1.252	-	1.252

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OR RUTERS FIVE HUNDRED THOUSAND
OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009
(GENERAL LOAN CASES)

(Rs. in million)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/whusband's name	Outstanding Liabilities at beginning of the year				Amount charge of				
					Principal	Interest	Others	Total	Principal	Interest	Others	Total	
21	Mohammad Salim H. No. 01/2/05/5 Kabeer		507-53-093780	Mohammad Ibrahim	0.445	0.477	-	0.922	0.922	-	-	-	0.922
22	Zulfigar Ali		504-55-235931	Abbas Ali	1.130	1.291	-	1.421	-	1.422	-	-	1.422
23	Dob Kohore Mr. Ghulam Mohammad		452-46-130051	Karam Dad Khan	1.263	1.875	-	3.138	-	1.321	-	-	1.321
24	Md Bihl Kausar Khab Rani		NA	Mir Fiqr Ali	0.050	0.470	-	0.520	0.650	0.470	-	-	0.530
25	Near Ali		453-33-002222	Mulib Ali	0.143	1.797	-	1.940	0.143	1.512	-	-	1.655
26	Bhono Jagr Near Ali		338-55-000332	Mulib Ali	0.129	1.536	-	1.665	0.129	1.278	-	-	1.407
27	Bhony Meriam Henopo		848-55-7093356	Hassan Ali	0.669	0.084	-	0.753	-	0.754	-	-	0.754
	Baby Madula		485-57-093356	Hassan Ali									
	Dob Hiridungo Tal, Kilipo Da, S Hoson Ali		485-57-093356	Mohammad Hashim									
	Dob Hiridungo Tal, Kilipo Da, S Hoson Ali		485-57-093356	Mohammad Hashim									
28	Haji Gid Mohammad Kambar Ali Khan		425-39-006554	Mohammad Haryat	0.083	0.582	-	0.665	-	0.542	-	-	0.542
29	Ghulam Saowar Pehkhami		425-47-022465	Mohammad Haryat	0.083	0.719	-	0.802	-	0.671	-	-	0.671
30	H. No. 165 Pt. Madula Kambar		403-42-004490	Amin	0.075	0.440	-	0.524	-	0.524	-	-	0.524
31	Ali Bw. Khan Umar Pt. & Tal. Kadh Kot		403-22-106412	Nabidul Khan	0.113	0.458	-	0.571	-	0.571	-	-	0.571
32	Ghulam Saowar Alam Akhal		403-36-142469	Taj Mohammad	0.102	0.595	-	0.697	-	0.697	-	-	0.697
33	Mulib Khan Majidh Deb Tal &o Kandhokor		403-48-185416	Hassan Ali	0.079	0.583	-	0.662	-	0.662	-	-	0.662
34	Chalhan Qadir Sah Ghana Kandhokor		404-21-097634	Jughal Khan	0.093	0.872	-	0.965	-	0.965	-	-	0.965
35	Ghulam Akbar Laloo		403-82-027182	Mir Ghulam Khan	0.125	1.081	-	1.206	-	1.206	-	-	1.206
36	Ganhuw. Khan Kashid Kot		401-85-191461	Haji Arbuw	0.098	0.683	-	0.781	-	0.781	-	-	0.781
37	Haji Kismard Boz Kot Gul Mohd Pt. Gadh Hassan		404-44-035666	Habshah Khan	0.089	0.956	-	1.045	-	1.045	-	-	1.045
38	Mohammad Husaid So Tal, Mohin Bazar Nawshahab		431-25-664644	Wilyang Husson	0.024	0.725	-	0.749	-	0.700	-	-	0.700
39	Makhar Ali B City		433-48-237075	Bakari Ali	0.077	0.554	-	0.631	-	0.566	-	-	0.566
	Mohid Ishaque		433-58-177972	Mohid Ismail									
40	Kunah Mohammad		434-09-062535	Sulhan	0.091	1.027	-	1.118	-	0.950	-	-	0.950
41	Mohammad Ikram Khan Dhaski Tangi Tah Charsakda		139-58-492722	Hafson Shah Khan	0.111	0.498	-	0.609	-	0.607	-	-	0.607
42	Haji Mohammad Sidor Khan Ganzo Dheri P/O Tarah CSJ		139-52-463307	Mohammad Umar Khan	0.321	0.473	-	0.794	-	0.793	-	-	0.793

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOAN OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND
OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009
(PROJECT LOAN CASES)

S.NO	Name and address of the borrower	Name of individual /partners/directors	NIC number	Father's/whusband's name	Outstanding Liabilities at beginning of the year				Amount charge off			
					Principal	Interest	Others	Total	Principal	Interest	Others	Total
1	Al-Rakim Fisheries	Muhammad Majeem Khan Khoso	401-49-153853	Abdul Raaziq Khoso	6,000	11,310	0,070	17,380	-	7,841	-	7,841
2	Douha Live Stock	Frikhar Ahmed	228-51-202920	Ahmed Hussain	1,115	0,295	-	1,410	-	1,410	-	1,410
3	Farooq Habib Textile	Ch. Khalid Mahmood Habibullah Khan Zafarullah Khan	35201-7921576-3 271-54-200044 35201-1404121-3	Mian Akber Ali Mian Akber Ali Habibullah Khan	114,579	213,740	-	328,319	114,579	150,971	-	265,550
4	Kiran Sugar Mills	Naseem Habib Yasmin Zafar Capt.Zahid Rahim	35202-2822457-2 277-49-119434 231-37-117250	W/O Habibullah Khan S.A.Rahim M Saeed	81,746	75,490	-	157,236	81,746	67,387	-	149,133
5	Kotran Fish Farm	Isharuddin Sheikh Muhammad Moosa Gul Muhammad	45504-2238311-9 479-85-001003 479-51-000340	Noor Muhammad Muhammad Usman Ozai Muhammad	1,215	-	-	1,215	1,215	1,215	-	1,215
6	Pak Green Fertilizer	Abdul Kazzab Muhammad Umar Ch. Munawar Sandhu	479-50-000993 42301-114110053 346-58-270676	Muhammad Usman Ch. Muhammad Broda Ali Muhammad	69,898	104,212	-	174,110	69,898	101,155	-	171,053
7	Pakistan Poultry Farm	Ch. Abdul Majeed Mrs. Rubina Akram Mrs. Rubina Majeed	346-88-348822 346-88-348883 265-50-300554	Muhammad Akram Abdul Majeed Nawab Din	30,828	-	-	30,828	12,198	-	-	12,198
8	Panjnad Polyprine	Sheikh Muhammad Sharif Sheikh Muzaffar Mehmood Sheikh M Ayub	281-40-215322 281-40-215322 273-56-218108	Sheikh Fozal Elahi Sheikh Ghulam Muhammad Fazal Elahi Bhatti	25,656	65,816	-	91,472	25,656	42,687	-	68,343
9	Zimrex Agro Services	Mrs. Shanishad Aslam Zubeda Begum Mas. Sitwat Bashir Muhammad Bilal	267-48-039757 34301-0936324-4 35202-7504778-6 281-91-516858	M Aslam Gundeppuri W/O Saleman Sikander D/O Saleman Sikander Saleman Sikander	8,465	3,786	-	12,251	-	5,624	-	5,624
10	Gilani Live Stock	Hadia Bashir S M Malkhoon Gilani	220-49-444499	W/O Najeeb Hussain S Altar Hussain Gilani	1,001	0,352	-	1,353	1,001	0,352	-	1,353
11	Jeetani Enterprises	Syed Saleh M Shah Hafiz Mehmood Ul Hassan Zaboor Ul Hassan Khan Syed Moosam Ali Shah Zainab Khatoon Zakar	360-32-116170 360-44-022324 516-52-171304 360-53-312361 360-58-262773 360-56-017069	Syed Ahmed Shah Sardar Shah Nawaz Khan Sardar Shah Nawaz Khan Sardar Shah Nawaz Khan Syed Jafar Shah Syed Kamal Shah	2,008	1,633	-	3,641	0,947	-	-	0,947
					342,511	476,634	0,070	819,215	307,240	377,427	-	684,667



STATISTICAL ANNEX

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SELECTED FINANCIAL AND STATISTICAL INDICATORS

(RUPEES MILLION)

S.NO.	DESCRIPTION	2005	2006	2007	2008	2009
<u>DURING THE YEAR</u>						
1	AGRICULTURAL CREDIT DISBURSED	39356	52521	55912	70698	77680
2	LOANS TO SUBSISTENCE FARMERS	25612	33027	34715	45822	52089
3	2 AS %AGE OF 1	65%	63%	62%	65%	67%
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	33551	44330	47123	61105	67992
5	4 AS %AGE OF 1	85%	84%	84%	86%	88%
6	FINANCING OF TRACTORS					
	- NUMBER	10807	9052	10275	16143	24596
	- AMOUNT	2894	2513	3478	5741	9995
7	6 AS %AGE OF 1	7%	5%	6%	8%	13%
8	TOTAL RECOVERY	42144	49156	58080	65937	69549
9	CUMMULATIVE RECOVERY (%)	92%	96%	97%	98%	99%
10	TOTAL INCOME	7661	11519	12756	14263	15165
11	TOTAL EXPENDITURE	7752	10872	10972	10275	11115
12	PROFIT BEFORE TAXATION	(91)	647	1784	3988	3373
<u>AT THE END OF THE YEAR</u>						
1	TOTAL ASSETS	82505	85467	93386	102341	112619
2	LOAN PORTFOLIO (NET)	52925	60839	61313	69923	81974
3	NUMBER OF REGIONAL/ZONAL OFFICES	49	25	25	25	26
4	NUMBER OF BRANCHES	343	342	342	342	347
5	NUMBER OF MCO's	1311	1258	1269	1243	1212
6	NUMBER OF STAFF	5533	5326	5333	5286	5274

**LOANS DISBURSED SINCE INCEPTION: AREA-WISE
UPTO 31.12.2009**

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	477512.955	75.8
2	SINDH	100822.283	16.0
3	N.W.F.P	37195.408	5.9
4	BALOCHISTAN	9212.752	1.5
5	AZAD KASHMIR	2554.961	0.4
6	FEDERALLY ADMINISTERED NORTHERN AREAS	2452.437	0.4
TOTAL		629750.796	100.0

**LOANS DISBURSED : AREA-WISE
DURING 01-01-2009 TO 31-12-2009**

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	477241	62794.337	80.8
2	SINDH	51363	9757.469	12.6
3	N.W.F.P	28298	4354.111	5.6
4	BALUCHISTAN	1191	204.306	0.3
5	AZAD KASHMIR	7577	262.593	0.3
6	FEDERALLY ADMINISTERED NORTHERN AREAS	1745	307.615	0.4
	TOTAL	567415	77680.431	100.0

**TERM-WISE COMPOSITION OF LOANS DISBURSED
DURING 01-01-2009 TO 31-12-2009**

(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	406452	48833.400	41889	4563.415	28900	9397.522	477241	62794.337
2	SINDH	45559	8669.947	3664	340.361	2140	747.161	51363	9757.469
3	N.W.F.P	22496	3701.500	4862	376.859	940	275.752	28298	4354.111
4	BALUCHISTAN	803	103.533	70	4.444	318	96.329	1191	204.306
5	AZAD KASHMIR	7228	191.654	198	16.603	151	54.336	7577	262.593
6	FEDERALLY ADMINISTERED NORTHERN AREAS	1104	216.535	461	37.964	180	53.116	1745	307.615
TOTAL		483642	61716.569	51144	5339.646	32629	10624.216	567415	77680.431

**LOANS DISBURSED: SECURITY - WISE
DURING 01.01.2009 TO 31.12.2009**

(RUPEES MILLION)

SR. NO.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	559014	77202.550	99.4
2	HYPOTHECATION LOANS	347	48.320	0.1
3	PERSONAL SURETY LOANS	6463	117.385	0.1
4	OTHER SECURITY	1591	312.176	0.4
TOTAL		567415	77680.431	100.0

**ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED
SINCE INCEPTION UPTO 31-12-2009**

(RUPEES MILLION)

YEAR	ANNUAL CREDIT DISBURSEMENT	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since inception upto 30-06-1971	780.798	15043	295.372	18757	213.849
FY 1972	80.000	1906	37.410	1790	18.412
FY 1973	169.100	1679	43.654	2389	26.415
FY 1974	415.570	1997	74.500	2922	45.000
FY 1975	396.310	3122	131.600	3566	74.500
FY 1976	532.850	6043	348.200	2357	47.600
FY 1977	638.770	5888	319.200	1364	25.700
FY 1978	430.530	5768	324.050	580	10.793
FY 1979	416.937	6003	310.200	543	10.100
FY 1980	711.550	8661	468.900	425	9.300
FY 1981	1066.619	10111	636.560	562	13.646
FY 1982	1557.386	12359	880.198	745	20.576
FY 1983	2310.435	17497	1459.256	1246	38.109
FY 1984	3131.676	22766	2028.706	1623	57.938
FY 1985	4167.908	25500	2305.668	2548	67.424
FY 1986	5307.867	20603	1955.257	4260	196.697
FY 1987	6031.152	23648	2621.911	4621	220.835
FY 1988	7716.078	20288	2650.555	6743	392.196
FY 1989	8667.523	19725	2898.750	6632	476.667
FY 1990	9389.861	20290	3465.396	5898	487.010
FY 1991	8323.947	12468	2650.302	5388	564.277
FY 1992	6996.426	8823	1742.676	3281	304.834
FY 1993	8643.408	16574	3548.008	2528	252.005
FY 1994	8989.252	17127	4071.548	2403	294.128
FY 1995	14575.735	22002	5029.803	4920	693.707
FY 1996	10339.274	15968	3261.605	1680	173.336
FY 1997	11687.112	10701	3195.652	2300	385.586
FY 1998	22362.983	13630	4286.009	3869	857.677
FY 1999	30175.960	16951	4509.982	6998	1436.177
FY 2000	24423.889	21515	5743.598	4735	830.894
FY 2001	27610.229	18909	5119.122	8991	1648.100
FY 2002	29108.015	12744	3501.149	7894	1335.733
01-07-2002 to 13-12-2002	10426.734	3660	1011.927	2955	384.419
14-12-2002 to 31-12-2003	32286.990	10679	2799.972	5100	1016.363
CY 2004	33714.580	7848	1952.655	4369	845.424
CY 2005	39356.053	10807	2893.575	3895	703.891
CY 2006	52520.505	9052	2512.927	1918	292.898
CY 2007	55912.018	10275	3478.103	1218	178.114
CY 2008	70698.335	16143	5741.191	1941	340.850
CY 2009	77680.431	24596	9994.861	1917	360.733
TOTAL:-	629750.796	529369	100300.008	147871	15351.913

**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES
DURING 01-01-2009 TO 31-12-2009**

(RUPEES MILLION)

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
<u>I. DEVELOPMENT LOANS</u>	<u>83773</u>	<u>15963.862</u>	<u>20.6</u>
1 TRACTORS	28788	9994.861	12.9
2 DAIRY FARMING	43429	4768.308	6.1
3 FARM EQUIPMENT	1175	132.930	0.2
4 TUBEWELLS	2078	360.733	0.5
5 LIVESTOCK	6977	547.651	0.7
6 POULTRY FARMING	29	6.592	0.0
7 ORCHARDS	185	14.692	0.0
8 LAND DEVELOPMENT	84	8.993	0.0
9 FISHERIES	17	2.201	0.0
10 FARM TRANSPORTATION	1	0.445	0.0
11 GODOWN/ COLD STORAGE	467	88.658	0.1
12 OTHERS	543	37.798	0.1
<u>II. PRODUCTION LOANS</u>	<u>483642</u>	<u>61716.569</u>	<u>79.4</u>
1 FERTILIZER	232148	29623.953	38.1
2 PESTICIDES	91892	11726.148	15.1
3 SEEDS	135420	17280.639	22.2
4 LABOUR HIRE/ OTHER CHARGES	4	0.103	0.0
5 WORKING CAPITAL FOR POULTRY	330	57.382	0.1
6 WORKING CAPITAL FOR DAIRY	105	7.654	0.0
7 WORKING CAPITAL FOR LIVESTOCK	36	2.513	0.0
8 WORKING CAPITAL FOR FISHERIES	68	5.065	0.0
9 OTHERS	23639	3013.112	3.9
TOTAL:-	567415	77680.431	100.0

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN
DURING 01-01-2009 TO 31-12-2009**

(RUPEES MILLION)

SIZE OF LOAN	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	30197	5.3	543.953	0.7
RS.25001 TO 50000/-	85703	15.1	3234.263	4.2
RS.50001 TO 100000/-	160539	28.3	11591.231	14.9
RS.100001 TO 200000/-	128076	22.6	16041.758	20.6
RS.200001 TO 500000/-	136148	24.0	36260.520	46.7
RS.500001 TO 1000000/-	21643	3.8	7324.983	9.4
OVER 1000000/-	5109	0.9	2683.723	3.5
TOTAL:-	567415	100.0	77680.431	100.0

2.8

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING
DURING 01-01-2009 TO 31-12-2009**

(RUPEES MILLION)

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	3957	0.7	406.126	0.5
B. OWNERS				
UNDER 5.1 HECTARES (UNDER 12.5 ACRES)	450035	79.3	50508.044	65.0
5.1 TO UNDER 6.5 HECTARES (12.5 TO UNDER 16 ACRES)	35766	6.3	6918.761	8.9
6.5 TO UNDER 10.1 HECTARES (16 TO UNDER 25 ACRES)	39995	7.0	10159.158	13.1
10.1 TO UNDER 13 HECTARES (25 TO UNDER 32 ACRES)	10662	1.9	3006.086	3.9
13 TO UNDER 20.2 HECTARES (32 TO UNDER 50 ACRES)	12915	2.3	3504.132	4.5
20.2 TO UNDER 26 HECTARES (50 TO UNDER 64 ACRES)	4258	0.8	1043.621	1.3
26 HECTARES & ABOVE (64 ACRES & ABOVE)	9827	1.7	2134.503	2.8
TOTAL:-	567415	100.0	77680.431	100.0

**RECOVERY POSITION
DURING 01-01-2009 TO 31-12-2009**

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	RECOVERY RATE (%)
1	PUNJAB	62165.727	56533.829	90.9
2	SINDH	10592.239	8562.640	80.8
3	N.W.F.P	4912.190	3931.253	80.0
4	BALUCHISTAN	140.783	112.885	80.2
5	AZAD KASHMIR	194.151	189.512	97.6
6	FEDERALLY ADMINISTERED NORTHERN AREAS	279.109	218.536	78.3
TOTAL		78284.199	69548.655	88.8

**CUMMULATIVE RECOVERY SINCE INCEPTION
UPTO 31.12.2009**

(RUPEES MILLION)

SR. NO.	PROVINCE / AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2009	RECOVERY RATE (%)
1	PUNJAB	484523.553	478891.655	5631.898	98.8
2	SINDH	98785.493	96755.894	2029.599	97.9
3	N.W.F.P	37407.603	36426.666	980.937	97.4
4	BALOCHISTAN	6827.564	6799.666	27.898	99.6
5	AZAD KASHMIR	2312.144	2307.505	4.639	99.8
6	FEDERALLY ADMINISTERED NORTHERN AREAS	2346.822	2286.249	60.573	97.4
TOTAL		632203.179	623467.635	8735.544	98.6

STAFF POSITION

(NUMBERS)

YEAR	OFFICERS	STAFF	TOTAL	M.C.O.'s
FY' 1990	4614	4035	8649	1487
FY' 1991	4781	3963	8744	1434
FY' 1992	4842	3816	8658	1454
FY' 1993	5046	3621	8667	1521
FY' 1994	5035	3369	8404	1432
FY' 1995	5035	3576	8611	1376
FY' 1996	5443	3383	8826	1441
FY' 1997	5347	3830	9177	1441
FY' 1998	4535	3368	7903	1449
FY' 1999	4608	3183	7791	1463
FY' 2000	4586	3196	7782	1459
FY' 2001	4563	3177	7740	1465
FY' 2002	4515	3150	7665	1496
CY' 2003	3711	2027	5738	1363
CY' 2004	3657	1934	5591	1328
CY' 2005	3609	1934	5543	1311
CY' 2006	3485	1841	5326	1258
CY' 2007	3629	1704	5333	1269
CY' 2008	3651	1635	5286	1243
CY' 2009	3709	1565	5274	1212

**NETWORK OF FIELD OFFICES
AS ON 31.12.2009**

SR.NO.	PROVINCES	(NUMBERS) *	
		ZONAL OFFICES	BRANCHES
1	PUNJAB	12	164
2	SINDH	6	88
3	N.W.F.P	4	50
4	BALUCHISTAN	3	33
5	AZAD KASHMIR	1	7
6	FEDERALLY ADMINISTERED NORTHERN AREAS	0	5
TOTAL		26	347

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